

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D.C.

A.I.D. Loan No. 510-L-011
(Ref. AID-DLC/P-133)

510-26-150-042

LOAN AUTHORIZATION

Provided from: Alliance for Progress Funds
ARGENTINA: Farm and Country Elevator Grain Storage

Pursuant to the authority vested in the Administrator of the Agency for International Development (A.I.D.) by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder and after consultation with the Development Loan Committee, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, to the Banco de la Nacion of Argentina (Borrower) of not to exceed twenty-one million seven hundred thousand dollars (\$21,700,000) to assist in financing the costs of constructing on-the-farm and country elevator grain storage facilities, this loan to be subject to the following terms and conditions:

1. Interest, Credit Fee and Terms of Repayment.

- (a) The Borrower shall repay the loan to A.I.D. in United States dollars within fifteen (15) years from the first disbursement under the loan, including a grace period of not to exceed five (5) years. The Borrower shall pay to A.I.D. in United States dollars interest at the rate of five (5) percent per annum and a credit fee of three-quarters of one ($3/4$ of 1) percent per annum on the disbursed balance of the loan.
- (b) If prior to the first disbursement under the loan, the Government of Argentina (hereinafter called the "Government") so elects, the Borrower shall fulfill its United States dollar obligation under the loan by paying to the Government the equivalent in the currency of Argentina of the dollar amounts payable to A.I.D. under (a) above and, in such event, the Government shall pay to A.I.D.:
- (1) the equivalent in United States dollars of all amounts, except interest, paid to the Government by the Borrower, as follows:
- a. credit fee immediately upon receipt;
 - b. principal within forty (40) years, including a grace period of not to exceed ten (10) years

from the date of the first disbursement under the loan;

- (ii) a credit fee in United States dollars of three-quarters of one ($3/4$ of 1) percent per annum on all amounts of outstanding principal paid by the Borrower to the Government from the respective dates of such payments of principal.

2. Other Terms and Conditions:

- (a) Equipment, materials and services (except shipping and marine insurance) financed under the loan for the Project shall be procured from the United States of America or Argentina.
- (b) United States dollars utilized under the loan to finance local currency shall be made available to the Borrower or its designee through a Special Letter of Credit and shall be used only for procurement in the United States (excepting marine insurance).
- (c) The Government of Argentina will be required to establish a modern warehouse system embodying a plan for storing grain for the account of private individuals or grain merchants and the issuance of warehousing receipts within one year after the first disbursement from the loan funds, for financing the construction of the first country elevator.
- (d) Interest on subloans financed by the loan shall not bear interest in excess of eight and three-quarters ($8-3/4$) percent per annum inclusive of all fees and charges, but exclusive of a refundable charge to maintain the capital of the Borrower.
- (e) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

/s/ Frank M. Coffin
Deputy Administrator for Operations

May 7, 1963
Date

OUTGOING CABLEGRAM

DEPARTMENT OF STATE

15232

MAR 29 6 50 PM '63

~~OFFICIAL USE ONLY~~
CLASSIFICATION

RECEIVED
MAR 29 1963
MAR 30 1963
MAR 31 1963
APR 1 1963
APR 2 1963
APR 3 1963
APR 4 1963
APR 5 1963
APR 6 1963
APR 7 1963
APR 8 1963
APR 9 1963
APR 10 1963
APR 11 1963
APR 12 1963
APR 13 1963
APR 14 1963
APR 15 1963
APR 16 1963
APR 17 1963
APR 18 1963
APR 19 1963
APR 20 1963
APR 21 1963
APR 22 1963
APR 23 1963
APR 24 1963
APR 25 1963
APR 26 1963
APR 27 1963
APR 28 1963
APR 29 1963
APR 30 1963
MAY 1 1963
MAY 2 1963
MAY 3 1963
MAY 4 1963
MAY 5 1963
MAY 6 1963
MAY 7 1963
MAY 8 1963
MAY 9 1963
MAY 10 1963
MAY 11 1963
MAY 12 1963
MAY 13 1963
MAY 14 1963
MAY 15 1963
MAY 16 1963
MAY 17 1963
MAY 18 1963
MAY 19 1963
MAY 20 1963
MAY 21 1963
MAY 22 1963
MAY 23 1963
MAY 24 1963
MAY 25 1963
MAY 26 1963
MAY 27 1963
MAY 28 1963
MAY 29 1963
MAY 30 1963
JUN 1 1963
JUN 2 1963
JUN 3 1963
JUN 4 1963
JUN 5 1963
JUN 6 1963
JUN 7 1963
JUN 8 1963
JUN 9 1963
JUN 10 1963
JUN 11 1963
JUN 12 1963
JUN 13 1963
JUN 14 1963
JUN 15 1963
JUN 16 1963
JUN 17 1963
JUN 18 1963
JUN 19 1963
JUN 20 1963
JUN 21 1963
JUN 22 1963
JUN 23 1963
JUN 24 1963
JUN 25 1963
JUN 26 1963
JUN 27 1963
JUN 28 1963
JUN 29 1963
JUN 30 1963
JUL 1 1963
JUL 2 1963
JUL 3 1963
JUL 4 1963
JUL 5 1963
JUL 6 1963
JUL 7 1963
JUL 8 1963
JUL 9 1963
JUL 10 1963
JUL 11 1963
JUL 12 1963
JUL 13 1963
JUL 14 1963
JUL 15 1963
JUL 16 1963
JUL 17 1963
JUL 18 1963
JUL 19 1963
JUL 20 1963
JUL 21 1963
JUL 22 1963
JUL 23 1963
JUL 24 1963
JUL 25 1963
JUL 26 1963
JUL 27 1963
JUL 28 1963
JUL 29 1963
JUL 30 1963
AUG 1 1963
AUG 2 1963
AUG 3 1963
AUG 4 1963
AUG 5 1963
AUG 6 1963
AUG 7 1963
AUG 8 1963
AUG 9 1963
AUG 10 1963
AUG 11 1963
AUG 12 1963
AUG 13 1963
AUG 14 1963
AUG 15 1963
AUG 16 1963
AUG 17 1963
AUG 18 1963
AUG 19 1963
AUG 20 1963
AUG 21 1963
AUG 22 1963
AUG 23 1963
AUG 24 1963
AUG 25 1963
AUG 26 1963
AUG 27 1963
AUG 28 1963
AUG 29 1963
AUG 30 1963
SEP 1 1963
SEP 2 1963
SEP 3 1963
SEP 4 1963
SEP 5 1963
SEP 6 1963
SEP 7 1963
SEP 8 1963
SEP 9 1963
SEP 10 1963
SEP 11 1963
SEP 12 1963
SEP 13 1963
SEP 14 1963
SEP 15 1963
SEP 16 1963
SEP 17 1963
SEP 18 1963
SEP 19 1963
SEP 20 1963
SEP 21 1963
SEP 22 1963
SEP 23 1963
SEP 24 1963
SEP 25 1963
SEP 26 1963
SEP 27 1963
SEP 28 1963
SEP 29 1963
SEP 30 1963
OCT 1 1963
OCT 2 1963
OCT 3 1963
OCT 4 1963
OCT 5 1963
OCT 6 1963
OCT 7 1963
OCT 8 1963
OCT 9 1963
OCT 10 1963
OCT 11 1963
OCT 12 1963
OCT 13 1963
OCT 14 1963
OCT 15 1963
OCT 16 1963
OCT 17 1963
OCT 18 1963
OCT 19 1963
OCT 20 1963
OCT 21 1963
OCT 22 1963
OCT 23 1963
OCT 24 1963
OCT 25 1963
OCT 26 1963
OCT 27 1963
OCT 28 1963
OCT 29 1963
OCT 30 1963
NOV 1 1963
NOV 2 1963
NOV 3 1963
NOV 4 1963
NOV 5 1963
NOV 6 1963
NOV 7 1963
NOV 8 1963
NOV 9 1963
NOV 10 1963
NOV 11 1963
NOV 12 1963
NOV 13 1963
NOV 14 1963
NOV 15 1963
NOV 16 1963
NOV 17 1963
NOV 18 1963
NOV 19 1963
NOV 20 1963
NOV 21 1963
NOV 22 1963
NOV 23 1963
NOV 24 1963
NOV 25 1963
NOV 26 1963
NOV 27 1963
NOV 28 1963
NOV 29 1963
NOV 30 1963
DEC 1 1963
DEC 2 1963
DEC 3 1963
DEC 4 1963
DEC 5 1963
DEC 6 1963
DEC 7 1963
DEC 8 1963
DEC 9 1963
DEC 10 1963
DEC 11 1963
DEC 12 1963
DEC 13 1963
DEC 14 1963
DEC 15 1963
DEC 16 1963
DEC 17 1963
DEC 18 1963
DEC 19 1963
DEC 20 1963
DEC 21 1963
DEC 22 1963
DEC 23 1963
DEC 24 1963
DEC 25 1963
DEC 26 1963
DEC 27 1963
DEC 28 1963
DEC 29 1963
DEC 30 1963

DO NOT TYPE IN THIS SPACE

50
AID

ARA
E
IGA

SENT TO — BUENOS AIRES AIDTO- 426

SUBJECT — ~~EXIM~~ Farm and Country Elevator Grain Storage

REFERENCE —

DISTRIBUTION

LA
ACC
AMP
DFPE
FOS
FRD
GC
HRSD
PRCS
SRD
WC

8
3

OTHER AGENCY

AGRIC
COMM
EXIM
FRB
TREAS

Loan Committee after closely studying subject application including financial position Banco de la Nacion has reached tentative conclusion that loan of approximately \$21.7 million covering 2-year program for Farm Storage and Country Elevators should be recommended. Such loan would consist of approximately \$16.6 million for financing foreign exchange costs and \$5.1 million for financing part of local currency costs.

These tentative conclusions based on following factors:

1. Examination Bank's lending history reveals loans to agriculture declined from 50% of total loans in 1959 to 44% in 1961. Figures not available here for 1962. This trend contrary goals recommended by Country Team and AID/W believes Bank can and should be encouraged shift greater proportion total loans into agriculture. A.I.D. believes such shift should result in sufficient additional funds from Bank resources to finance 30% project costs 1964 and 40% 1965. In dollar equivalent this would provide equivalent \$9.3 million first year and \$11.4 million second

PAGE 1 OF 2 PAGES

DRAFTED BY

DStoops:mem

OFFICE

LA/CD/ECLD

PHONE NO.

6367

DATE

3/28/63

APPROVED BY:

LA/CD: Philip Glaessner

AID AND OTHER CLEARANCES

JNepple, LA/ECAD

and, LA/CD

~~OFFICIAL USE ONLY~~

CLASSIFICATION

REPRODUCTION FROM THIS COPY IS PROHIBITED UNLESS "UNCLASSIFIED".

15232

BUENOS AIRES AIDTO- 426

~~OFFICIAL USE ONLY~~

PAR 2 117 2

year Bank's own resources or a total of \$21.7 million for 2-year program which would match A.I.D. loan funds. Remaining 30% project costs would be provided by sub-borrower.

FYI: Have discussed proposal with Finch, IMF, who believes proposal consistent with IMF proposals since problem primary one of Bank shifting to priorities. Question of Bank's short-term lending policy may arise but could be met through inclusion sufficient funds in GOA development budget in October 1963 to provide funds Bank might be unable provide from its own resources. End FYI.

Have also discussed need for Banco de la Nacion contribution in general terms with Otero Monsegur who assured us Bank has long-term deposits appropriate source such financing. He further suggested possibility establishing percentage total project costs to be met jointly by Bank and sub-borrower in each year, thus permitting Bank obtain higher contribution from certain borrowers than contemplated 30 per cent. This interesting proposal raises question whether Bank might not channel loan unduly to prime borrowers in attempt hold down its own contribution. Monsegur also stated saw no problem obtaining written commitment from Bank and GOA to cover project costs not financed by A.I.D. or sub-borrower.

Request USAID to (1) Discuss proposed financing scheme and Otero Monsegur suggestion with Banco de la Nacion to ascertain Bank's reaction; (2) Provide AID/W evaluation re foregoing, including viability Finch concept of including GOA budgetary participation and meaningfulness Monsegur suggestion of GOA and Banco written assurances.

Also request USAID provide 1962 Banco Loan totals and loans to agriculture if at all possible. Data covering part of year would suffice if full year data not available. Final submission loan paper pending your reply this cable. SCP-EXEMPT

~~OFFICIAL USE ONLY~~

RUSK

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D.C.

~~OFFICIAL USE ONLY~~

AID-DLC/P-133/1
April 30, 1963

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

SUBJECT: Argentina - Farm and Country Elevator Grain Storage

Attached for your information is an addendum to the subject loan paper relating to the economic justification of the project. This addendum was informally distributed as an unnumbered document at the meeting of the Development Loan Committee on April 26, 1963.

Walton C. Groce
Secretary
Development Loan Committee

Attachment: As stated

~~OFFICIAL USE ONLY~~

~~OFFICIAL USE ONLY~~
April 26, 1963

MEMORANDUM TO THE DEVELOPMENT LOAN COMMITTEE

FROM: Stanley I. Grand, IA/CD

SUBJECT: Argentine Grain Storage

In Mr. Coffin's briefing held April 25 a number of questions were raised on which additional information was requested. These questions and the additional information and/or explanation follow:

1. What measures of self-help have been instituted by the Argentine Government?

COMMENT: These measures of self-help are explained in detail in the attached statement.

2. What will be the major social and economic consequences of the grain storage loan?

COMMENT: The primary objective of this loan is the conversion of grain storage facilities from bag storage to bulk storage. Associated with this conversion program will be a Public Warehousing Law embodying a system of warehouse receipts. The principal beneficiary of these two objectives will be the farmer. He will benefit from the availability of storage facilities either on the farm or near his farm which will enable him to store his wheat and to market it in a more orderly process. Thus the farmer will be under less pressure to sell his wheat at harvest time and will receive a higher price for his grain. The system of warehouse receipts will have far-reaching consequences for the farmer in that he will not only be able to store his wheat in a country elevator but he will be able to have a negotiable piece of paper which he can take to his bank and obtain a loan to finance his farming needs pending the sale of his grain. This system will be of particular benefit to small farmers and tenant farmers who have suffered most in the past from a lack of the availability of storage facilities.

The Argentine economy will benefit significantly from this conversion to bulk storage facilities. The consultants have calculated the net annual savings for the country as a whole to be in the magnitude of \$85 million in peso equivalent and \$7.7 million in foreign exchange savings. The significant feature of this savings is that it pass primarily to the farmer and to the country elevator operator.

~~OFFICIAL USE ONLY~~

These savings do not include significant indirect benefits to the economy as a whole resulting from increased marketing efficiency and the stimulation to employment which will result from the construction program. Obviously, the consumer will be the ultimate beneficiary of the improved marketing efficiencies.

3. What is the projected domestic demand in Argentina for grain?

COMMENT: The consultants have projected that the total utilization of wheat by flour millers in Argentina will rise approximately 10% from 1962 to 1965-66. During the same period the utilization of other grains by domestic processors is expected to increase by approximately 5%. They have also projected substantial increase in the amount of grain required for seed and for animal feed not reflected in the processing of other grains listed above.

While the increased domestic demand for wheat and other grains is significant, the important fact to emphasize is that the demand for the grain storage facilities results primarily from the conversion program of bag storage to bulk storage. Of the total need for additional storage facilities 77.4% is for conversion from bag storage facilities to bulk storage facilities. This means that even in the absence of any increase in domestic or export demand and even if there were no increase in production, the total cost of the conversion program alone for both country elevator and farm storage would amount to approximately \$183 million. Since the cost of the proposed two-year project embodies in this loan is only \$62 million (of which AID is contributing \$21.7 million) only one-third of the total cost of the conversion program alone will be covered by this project.

4. How is the future export demand for Argentine grain likely to affect this project?

COMMENT: While paragraph 3 above relating to demand for storage facilities makes the question of future export demand somewhat academic, it is useful to note that during recent years Argentina has not even been able to meet its commitments to its neighboring countries, such as Paraguay and Brazil. This has resulted in substantive demands from these two countries for P.L. 480 programs with the U.S.

Even though, as indicated elsewhere in this paper, the

question of increased production both for domestic and export purposes is not relevant to this loan, it should be noted that the Administrator and the U.S.D.A. have both concluded that the proposed loan is not counterproductive in terms of U.S. agricultural policies and objectives.

~~OFFICIAL USE ONLY~~

ARGENTINE SELF-HELP MEASURES

The most significant self-help action taken recently is the commitment of the Argentine Government to the International Monetary Fund for renewal of the IMF Standby Agreement.

On June 6, 1962 the Government of Argentina entered into a \$100 million standby agreement with the International Monetary Fund which would permit drawings of \$50 million during the first six months. The agreement established a limitation on overall credit expansion of 8 billion pesos, which would be reviewed at the end of six months and a new ceiling established if necessary. On June 7, 1962 the U.S. Treasury Department agreed to a \$50 million dollar exchange stabilization agreement in support of the IMF-Argentine arrangements, with drawings to be pari-passu with the Fund.

During the first six months of the agreement Argentina did not violate the eight billion peso credit expansion ceiling but it became apparent to the Fund that economic pressures would soon result in Central Bank deficit financing beyond any amount which the Fund would find acceptable. The IMF and U.S. Treasury both suspended drawings for the second six month period, and new negotiations were undertaken by the Fund.

On March 27, 1963 the IMF agreed to extend the previous agreement for four months, and permit drawings of \$50 million through the period ending October 6, 1963. The IMF does not feel that the new arrangement is a real stabilization agreement but believes that the following Argentine Government undertakings are the most that can be expected from the caretaker government faced with critical political and economic problems:

- (a) Overall credit expansion will be limited to two billion pesos monthly. To make this ceiling effective revenues will have to be increased by 17 billion pesos and expenditures reduced by 10 billion pesos per annum. The Government has already taken action to increase taxes and reduce expenses. New management has been appointed to the deficit ridden state railways and YPF, the state oil monopoly.
- (b) New foreign suppliers credits in the public sector will be limited to \$25 million through October 1963.

An important consideration of the IMF in approving extension of the standby was Argentine agreement to vigorously seek renegotiation of its heavy external debt payments in 1963 and 1964. In November 1962 the Export-Import Bank and the principal European creditors had reached tentative agreements

~~OFFICIAL USE ONLY~~

with Argentina to refinance \$72 million and \$135 million respectively of debt falling due in these two years. The suspension of IMF drawing rights delayed completion of the agreements but Argentina is now taking action to conclude the November agreements.

The United States Government agreed on March 28, 1963 to provide loans and other financial assistance to Argentina in support of the renewed IMF standby agreement. The following U.S. assistance is conditional on Argentina's continued drawing rights under the new standby:

- (1) The U.S. Treasury is extending for an additional four months the life of its outstanding exchange agreement which was due to expire on June 6, 1963. This action will make available through October 6, 1963 \$25 million not previously drawn. Half of the total is available immediately and the balance distributed equally from June through October, on the same basis as the IMF drawings.
- (2) The Agency for International Development will provide \$20 million from Contingency Funds for essential imports from the United States, with disbursements to begin in June, 1963.
- (3) Subject to completion of Argentine bilateral accords with European governments for refunding arrangements agreed in principle in November 1962, the Export-Import Bank will on parallel terms refinance up to \$92 million of Argentine debts to the Export-Import Bank and other United States creditors. The \$92 million includes \$72 million which had been negotiated but not signed in November, plus \$20 million which will only be applied to refinancing principal payments due after June 30, 1963.

Within a week after the announcement of IMF and U.S. assistance armed conflict broke out among various military elements. The military faction which was unwilling to proceed with the June elections seems to have been soundly defeated. The Government's position has apparently been strengthened politically, which should also help in its efforts to carry out the economic commitments to the International Monetary Fund.

The President of the Central Bank is now in Europe to conclude the debt refinancing agreements of last November, which would then permit the Export-Import Bank commitment to become effective.

Development planning is now being seriously carried out under the direction of the National Development Council which is headed by the Minister of Economy. The Council is coordinating the planning efforts of the various ministries and the provincial planning body, the Federal Investment Council. Many resource studies have been completed and are being collated in a twelve volume publication with the assistance of Stanford Research Institute.

~~OFFICIAL USE ONLY~~

- 3 -

The NDC has contracted with the Harvard University planning group headed by Prof. Edward Mason under a loan provided by IDB. The Harvard team will advise the Council in formulating and refining a national development plan and in training Argentine officials.

All requests for public external borrowing must now be approved by the NDC as to their priority and soundness within a general framework of development needs. It is expected that the basic development plan will be ready for publication in 1964.

Directly loan related self-help include the provision of substantial bank resources for agriculture and the establishment of a new and more economical system of grain warehousing with the use of negotiable warehouse receipts. The new warehousing system is an important step forward in modernizing the Argentine economy. The net return to the farmer is increased and his crop has an immediate cash value which in turn provides the resources for further agricultural improvements. The bank will devote approximately \$20 million to the modernization of grain storage facilities during the two year program in addition to the resources applied to other aspects of agricultural development.

Other measures have been taken to promote agricultural growth such as the recently approved program of agricultural mechanization to be carried out with the assistance of a \$25 million loan from the IDB; the establishment of a government and producers organization, PRO-AGRO, to devise new policies for agricultural development and the reduction of burdensome taxes on agricultural production.

~~OFFICIAL USE ONLY~~

~~CONFIDENTIAL~~
(When with Annex I)

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D.C.

DEVELOPMENT LOAN PAPER

Proposal and Recommendations
For the Review of the
Development Loan Committee

ARGENTINA - FARM AND COUNTRY ELEVATOR GRAIN STORAGE

AID-DLC/P-133

~~CONFIDENTIAL~~
(When with ANNEX I)

TABLE OF CONTENTS

	<u>Page</u>
SUMMARY AND RECOMMENDATIONS.....	i
SECTION I - PLACE OF PROJECT IN PROGRAM	
A. Description of Sector Goal and Its Relation to Other Sector Goals.....	1
B. Relation of Project to Sector Goal and Other Sector Projects.....	1
C. Project Contribution to Country's Economic Development	2
SECTION II - DETAILED DESCRIPTION OF PROJECT	
A. Borrower.....	3
B. Background of Project.....	4
C. Engineering Analysis.....	6
D. Economic Analysis.....	13
E. Financial Analysis.....	16
SECTION III - EFFECT UPON THE U.S. ECONOMY.	
A. Competition with U. S. Enterprise.....	19
B. Source/Origin of Procurement of Goods and Services....	19
SECTION IV - SPECIAL TERMS AND CONDITIONS.....	19
SECTION V - ISSUES.....	20
ANNEX I. STATE-AID EXCHANGE OF CONFIDENCE: ANNEX I (A) PROGRAM ELEMENTS	
ANNEX II CHECKLIST OF STATUTORY CRITERIA	
ANNEX III DETAILED PROJECT DESCRIPTION	
ANNEX IV DRAFT AUTHORIZATION	

ARGENTINA - Farm and Country Elevator Grain Storage

SUMMARY AND RECOMMENDATIONS

1. **BORROWER:** The Borrower is the Banco de la Nacion (Bank of the Nation), an Argentine Government bank. According to the Bank's charter the Government of Argentina is responsible for the Bank's obligations.
2. **AMOUNT OF LOAN:** Not to exceed the equivalent of \$9.9 million for On-The-Farm Storage and \$11.8 million for Country Elevator Storage or a total of \$21.7 million. Of this total, it is estimated that \$16.6 million will be required for financing the entire foreign exchange costs and \$5.1 million for financing part of the peso costs of the project.
3. **TOTAL COST OF PROJECT:** The total cost of the two-year project is about \$62 million, of which 65% will be financed from Argentine resources.
4. **PURPOSE:** The purpose of the project is to finance the construction of On-The-Farm Grain Storage and Country Elevator Grain Storage facilities in Argentina. The projects are expected to result in greater preservation of grain, more orderly marketing, lower marketing costs, increased returns to the producer, foreign exchange savings resulting from lowering burlap requirements for sacks, and a modern warehousing system where warehouse receipts provide the producer with protected collateral. Moreover, the project will help to mobilize private domestic resources to assist in accomplishing the above purposes.
5. **BACKGROUND:** Unfavorable and inconsistent governmental policies toward agriculture for the past 20 years have caused grain production to suffer with a resulting standstill of grain storage facilities equipped to meet modern storage

Revised 4/19/63

and marketing practices. USAID/Argentina consequently engaged the services of a consulting firm to do a feasibility survey and to make recommendations to the Argentine Government. This application for financing comes as a result of this survey.

6. **PROJECT DESCRIPTION:** The project is a relending operation by the Banco de la Nacion to private country elevator operators and cooperatives, and to farmers, for the purpose of constructing bulk-handling grain storage facilities in the main producing areas of Argentina. The Bank has stated that it intends to relend the funds for facilities recommended by the consultants both as to location, size and type.
7. **EXIMBANK AND OTHER CLEARANCE:** Eximbank clearance was obtained on March 19, 1963. I.D.B. was unable to consider financing these projects because of other commitments in the field of agriculture. IBRD has been handed the application for Port Storage financing.
8. **VIEWS OF THE COUNTRY TEAM:** The Country Team strongly favors this loan as being high in the priorities for projects stimulating economic development and in keeping with the A.I.D. development goals in Argentina.
9. **STATUTORY CRITERIA:** All statutory criteria relating to this loan have been satisfactorily met. (See Annex II for details)
10. **ISSUES:** The question of the most desirable timing of this loan has arisen. While a detailed discussion is presented in the body of the Loan Paper, the conclusions of CD/LA and ARA/LA are that the loan should be offered as soon as it can be processed, for the following reasons.
 1. Delay until November after a newly elected government takes office would mean total time loss of 14 to 18 months because one additional crop year would be lost.

Revised 4/19/63

2. Argentina is not expected to show a substantial degree of stability for some time. Continuing development is essential for establishment of stable conditions.

3. Past experience does not support the thesis that maximum political impact can necessarily be gained by delaying loans until an "optimum" time.

With regard to the issue of the effect upon the U. S. economically, the Administrator has in his memorandum (shown in Annex I) resolved this problem.

11. RECOMMENDATIONS: Authorization of a loan to the Banco de la Nacion de Argentina in an amount not to exceed \$21.7 million:

(a) Terms: To the Borrower -- a term of 15 years including a five-year grace period on the repayment of principal; to the Government of Argentina -- at its subsequent option, 40 years with a ten-year period of grace.

(b) Interest: To the Borrower -- Five and three-quarters (5-3/4) percent per annum on the disbursed portion to be paid to the Government of Argentina; to the Government of Argentina -- at its option three-quarters (3/4) percent per annum to be paid to the U.S. on the disbursed (but unrepaid to the U. S.) portion of the loan.

(c) Repayment terms: To the Borrower -- repayment of Principal and interest to A.I.D. in dollars, or if the Government of Argentina so elects, to repay principal and interest to the Government of Argentina in pesos; to the Government of Argentina -- repayment of Principal and interest to A.I.D. in dollars, subject to agreement with A.I.D. providing for repayment over 40 years with ten-year grace period at three-quarters (3/4) percent.

(d) Major conditions:

1. Repayment of Principal and interest on the loan to be guaranteed by the Government of Argentina.
2. Retention by the Borrower of a U. S. consulting engineering firm experience in grain storage construction and operation.
3. The Borrower will obtain A.I.D. approval for all sub-loans of more than the peso equivalent of \$100,000 for which the proceeds of this loan are utilized.
4. The Government of Argentina will covenant that within one year after the first disbursement from the loan funds, for financing the construction of the first country elevator it will agree to establish a modern warehouse system of private individuals or grain merchants and the issuance of warehousing receipts.
5. Standard conditions.

Project Committee:

Loan Officer:	DStoops
Desk Officer:	JNepple
Engineer:	SAnderson
Counsel:	DBronheim

Drafted: DStoops/Anderson/Krulfeld/Bronheim

SECTION I - PLACE OF PROJECT IN PROGRAM

A. Description of Sector Goal and its Relation to Other Sector Goals

The USAID/Argentina sector goal to which this project relates is Goal 1: By 1970, to increase agricultural out-put by about one-third.

This is the key goal in the USAID program. Agricultural exports provide over 90% of Argentina's foreign exchange, but the volume has been inadequate in recent years to even meet sales commitments. Argentina requires a thorough revision of agricultural policy to encourage increased investment, mechanization and modernization of agricultural production. A.I.D. will provide loan and grant assistance to planning and policy units of the GOA to develop the needed policy revisions. Loan and grant assistance will also serve as inducements to the enactment of measures needed to re-establish investment incentive in the agricultural sector. The out-moded techniques of Argentine agriculture will be up-graded through A.I.D. assistance to research and extension institutions and to agricultural education. Development loans will be made in areas that offer promise of break-through in either agricultural techniques, or institutional development required for the desired increase in agricultural production.

B. Relation of Project to Sector Goal and Other Sector Projects

This proposed loan for grain storage will result in a technological change, moving grain storage from bag to bulk and requiring grading, permitting cheaper and faster storage and transportation of grain. Conditions precedent to the loan will include changes in the grain storage system that have hindered the full development of this sector of the economy. The proposed loan also relates to the goal of Transportation, inasmuch as bulk handling and the possibility of mixing grains that have been graded will allow fuller utilization of existing transportation facilities.

C. Project Contribution to Country's Economic Development

This project contributes to Argentina's economic development in numerous ways. It will result in the institution of quality grading, making the marketing of the grain simpler; it will be cheaper than present bagging methods; and save the foreign exchange costs of imported bagging material; grading will permit mixing of several proprietor's grain in one elevator and utilization of the elevators full capacity; the use of warehouse receipts is expected to stimulate credit operations against this negotiable paper.

An immediate economic benefit will result from the construction of these facilities since most of the costs of the project are local, utilizing local industry and labor. An example is also provided that may be followed by indigenous private industry or organizations using local capital to provide more such facilities.

SECTION II - DETAILED DESCRIPTION OF PROJECT

A. Borrower

1. Name and Description

The Borrower is the Banco de la Nacion de Argentina, hereafter referred to as the Bank. The Bank is a semi-autonomous Government bank founded on October 16, 1891.

Operating in an agricultural country, the primary purpose of the Bank has traditionally been to support agricultural production. This emphasis shifted during the Peron and Frondizi administrations, however, when industrial development received primary emphasis. The present GOA administration is attempting to restore a balance between industrial and agricultural lending policy more in keeping with the realistic needs of the Argentine economy. The Bank also engages in commercial banking and is one of the principal sources of financing for trade and commerce. The agricultural lending portfolio of the Bank is, however, completely separated from the commercial lending portfolio. The Bank has 154 branches located throughout Argentina, principally in the major agricultural producing areas.

2. Ownership, control and management

The Bank is an Argentine Government institution. It is governed by a President and a Board of Directors, consisting of the Bank President, Vice President, and eight directors, all of whom must be Argentine citizens. The President of the Bank is named by the President of Argentina with the approval of the Argentine Senate. The normal term of office is 6 years. He may serve more than one term. The situation of changing National Government administrations such as has prevailed in Argentina during the past several months, however, has resulted in considerable insecurity of his tenure.

The eight directors are also named by the President of Argentina for terms of 4 years. Two directors represent agricultural producers, two represent business men, 2 represent industrialists, and 2 represent varying activities. There is an added proviso that at least four of the directors must have an ample understanding of the economic problems of the interior of the country.

The General Manager and the Assistant General Manager are nominated by the President of the Bank with the approval of the Board of Directors.

Being an old and established institution the Bank has had much experience in loans in the agricultural sector of the Argentine economy, including loans for Grain Storage. Its experience as far as Grain Storage is concerned has been through the granting of loans for the construction of farm bins, country elevators, underground silos and related equipment. The effectiveness of the Bank has tended to be related to the element of political stability in the country. Twenty years ago the Bank was regarded as being a sound financial pillar. In the interim its position and performance has, in the opinion of independent observers, left something to be desired, principally because it was tied so closely to the National political scene. Despite these facts, however, the Bank is in a better position than any other financial institution in Argentina at the present time to reach the agricultural producers and country elevator operators and to deal with their financial needs. With the renewed emphasis at the National Government level in Argentina on the restoration of a sound agricultural economy there is reason to believe that the Bank will be in a position to administer the proposed loan within reasonable degrees of prudence and foresight.

B. Background of Project

1. History

The need for readjustment of grain storage and marketing practices in Argentina to place them more in keeping with international practices has long been recognized. As long as grain storage and marketing was an activity of the private sector in Argentina economic competitive forces caused periodic adjustments which placed Argentina on a relative par with other grain producing countries. With the advent of nationalization of a portion of the grain storage facilities in Argentina and resulting governmental controls and over-regulation few improvements have been made in the past 20 years. This, coupled with an unrealistic agricultural policy, resulted in a constant deterioration of Argentina as one of the major World producers and marketers of grain. As a consequence of this and other policies the Argentine economy steadily deteriorated and its balance of payments position worsened.

In recognition of the importance of agriculture to the Argentine economy the USAID Mission in Argentina engaged the consulting firm of Agri Research Inc., of Manhattan, Kansas, to make an independent study of the needed improvements in Argentina's grain marketing facilities and practices. The study later was extended to include an appraisal of the specific grain elevator and farm storage projects proposed by Argentina for possible financial support under the Alliance for Progress. Agri Research worked closely with the staffs of pertinent Argentine official agencies and drew upon the experience and information of farmers, estancieros, grain merchants, bankers, food processors, and others in Argentina. The Agri Research work resulted in the feasibility survey entitled "Adjusting Grain Marketing Facilities and Practices in Argentina to meet Projected Requirements." The engineering analysis was conducted under a companion contract with the Weitz-Hettelsater Engineers of Kansas City, Missouri, a firm with international experience in the grain storage and marketing field.

Since any potential financing of country elevator grain storage, or on-the-farm grain storage would ultimately be only to private farmers, cooperatives and country elevator operators, it was determined that the most effective mechanism for extending such financing would be through an existing financial institution in Argentina. The Agri Research survey was therefore also enlarged to include an appraisal of the various financial institutions in Argentina and a recommendation of the most logical institution to which external financing might possibly be extended. This study resulted in a recommendation from Agri Research that such financing be made through the Banco de la Nacion. Subsequently the USAID Mission cooperated with the Banco de la Nacion in the preparation of its application.

2. The Country Team has strongly recommended this project as being essential to the restoration of the economic health of the agricultural economy of Argentina.

3. Action by EximBank and International Institutions

Two separate applications for grain storage financing were received from Argentina. The first was for the financing of port grain storage facilities. The IBRD expressed an interest in this project and the application has been forwarded to IBRD for its consideration. The second application from the Banco de la Nacion for financing country elevators and on-the-farm grain storage was discussed with IDB and with the EximBank. Both institutions expressed the view that while these projects were important and well prepared neither would be able to consider their financing in the foreseeable future because of other commitments in Argentina.

C. Engineering Analysis

1. General Description

The over-all program for farm and country grain storage in Argentina will include the construction of 9,200 farm storage units and 374 country elevators. They will be located in the 5 grain raising provinces in the Central, Northeast and Eastern operation of the country. The total estimated cost of the farm storage is \$70.6 million for a 5-year program and \$167.6 million for a 10-year program of country elevator construction.

It is proposed that the A.I.D. loan cover up to \$21.7 million of the cost of the first two years of construction for both types of storage. The \$21.7 million would be made up of \$16.6 million and \$5.1 million equivalent in pesos.

The cost estimates were made by an American consulting engineering firm that specializes in grain storage construction and are based upon suppliers' costs and contracting prices in Argentina.

2. Technical

a. A detailed study of the grain storage program was made by Agri Research Inc., to determine the various national storage requirements and the economics of the storage program. The engineering feasibility and technical soundness analysis survey was made by representatives of Weitz-Hettelsater Engineers in conjunction with technicians from the Bank. These engineers also approved the basic designs for the various types of storage and the associated cost estimates.

b. Suppliers have various plans for stock items of farm storage units which can be expanded from 150 tons to 600 tons, as well as standard plans developed by the Grain Storage Department of the Ministry of Public Works for such storage. The country elevators start with a basic plan of 3,700 Ton capacity which can be expanded in increments of 1,500 Tons up to 9,700 Tons.

The technical implementation of the loan is planned as follows:

Farm Storage

The plans and specifications must meet the design and specification, standard requirements of the Grain Elevator Department of the Ministry of Public Works, and be approved by the National Grain Board. The construction will be done by the suppliers' and will be supervised by representatives of the National Bank who will also certify to final acceptance and payment.

Country Storage

The site, location, size, and kind of storage will be approved by the National Grain Board. The plans and specifications must meet the requirements of the Grain Elevator Department of the Ministry of Public Works. The sub-borrowing agricultural cooperatives, or grain merchants will negotiate a contract for construction with a contractor using a bid document approved by the Bank and A.I.D. The Bank will have the responsibility for supervising the construction and certifying to the contractors' progress payments. The final acceptance and payment will require approval of the National Grain Board and/or the Grain Elevator Department of the Ministry of Public Works. A consulting engineering firm that specializes in grain storage design and construction will be employed by the Bank to assist in the technical planning and supervision of the country installations and for advice on the farm storage projects.

Local contractors have been building grain storage facilities in Argentina for many years and are qualified to construct such facilities. U.S. contractors will be allowed to bid on the country storage units if they are interested in projects of that size.

The cost estimates were compiled by representatives of the Weitz-Hettelsater Engineers, a highly qualified internationally recognized consulting engineering firm that specializes in grain storage facilities using local suppliers and contract costs. Foreign exchange costs will be used for the procurement of equipment and materials and engineering, and possibly construction services.

c. Management

1. Facilities Management

The farm storage will be operated by the individual farm owner or tenant.

The Country Storage will be operated by private grain merchants or cooperatives. All Country Elevators will be under the general direction of and must conform to the regulations of the National Grain Board, which is qualified and experienced in this kind of operation and regulation of a country-wide storage system.

With Argentina's long experience in grain production, the problems of grain storage will not be new to either the individual farmers, or to country elevator operators. Provision should be made by the Bank, however, for the farmers and elevator operators to receive instructions from suppliers of equipment and from competent engineers on the operation and maintenance of the new types of silos and equipment which will be constructed under this program.

To give protection to the individual farmer or others storing their grain in a Country Elevator, a new grain storage law should be enacted to provide that such storage will be under a system of warehouse receipts, so that the grain he will withdraw will be equal in quantity and quality to that stored by him. The law should provide effective Governmental supervision of the Country Storage program. The legislation and administration for doing these things must be studied and worked out carefully. The enactment of such a law should be a requirement of this loan and should be enacted prior to the completion of construction of the Country Elevators. There is no request in this application for employing a team of consultants to help the GOA work out the required details but provision will be made in the loan agreement for this to be made an eligible use of the loan funds.

2. Bank Management

The Bank's organizational structure is described in Section 11A, and its experience in the field of lending for grain storage is summarized in the same section.

In its application to A.I.D. the Bank has summarized its proposed relending procedures for the A.I.D. loan funds as follows:

Procedures used in relending:

Financial aspect: The loan requested will be distributed among the five grain-producing provinces of the country according to the needs determined in the Agri-Research report which has been approved by the National Grain Board and the National Development Council. (See Map of Producing Areas in Annex III).

Banking aspect: The amount and term of the credit will be determined according to the needs of each applicant.

Technical aspect: As a requirement for payment of the final installment, a certificate from the National Grain Board and/or the Grain Elevator Department of the Ministry of Public Works will be required, certifying the adequacy of the installments, except in the case of the farm bins in which case the certificate would be extended by authorized personnel.

Description of the type of loans to be granted:

Firms eligible for these credits: Farmers (owners or tenants), agricultural cooperatives and grain merchants.

In case the applicant is a tenant of the farm where the bins are to be built, he must obtain a letter from the owner stating that the bin and its accessories are exclusive property of the tenant.

Purpose:

(a) For the construction of farm bins for storing and conservation of the producer's own grain and,

(b) For the construction of country elevators and the acquisition of accessory facilities such as legs, engines, drying equipment, etc., excluding harvesting equipment.

Maximum percentage to be loaned: Up to 70% of the value of the investment required.

Maximum per firm: For farm bins M\$N 1,100,000 (pesos); for country elevators there is no maximum per firm, but the loans must be approved by the Bank's headquarters.

Security: Loans may be secured by chattel mortgage or real estate mortgage according to the following specifications:

(a) With chattel mortgage: A recorded chattel mortgage on the items to be constructed or purchased with a statement listing all the facilities and equipment. When this type of security is used, the bin must be capable of being dismantled.

(b) With real estate mortgage: For the first mortgage, on the real estate where these improvements will be built or on any other property of the applicant. If the Banco de la Nacion were to hold the first mortgage, the loan could be made on this same guarantee through a simple increase. The requests which must be secured by mortgages will, in all cases, be sent to the Bank's headquarters.

Term: Five years for farm bins and ten years for country elevators. In both cases terms may be extended for two years when fully justified.

Interest Rate: 15% per annum (See Recommendation below)

Requirements: In addition to the regular application, the following additional pertinent information will be required:

(a) Detailed cost estimates for the construction and/or the equipment to be acquired.

(b) Drawing of the silo with its technical details, approved by a professional engineer.

(c) For farmers, area planted by crop, average yields obtained in the last three years and sketch of the location of the bins on the land.

(d) For grain merchants or cooperatives, the location of the facilities on the land, ownership of the land, and the amount stored in the last three years broken down by crop.

Basically, these procedures appear to be sound. The interest rate, however, is considered to be too high and the Project Committee proposes to limit the interest received by the Bank on A.I.D. loan funds to 8-3/4%, or 3% above the rate the Bank must pay for the loan funds. Any elevator costing more than \$100,000 will also require prior A.I.D. approval. A condition precedent to loan disbursement will also be a more detailed description of their lending criteria and procedures and clarification of the expected role of the consulting engineer, including his certification of requests for disbursement.

The Banco de la Nacion in discussions with the Deputy Assistant Administrator for Capital Development, LA, at the I.D.B. meetings in Caracas, Venezuela, beginning the week of April 22, 1963, requested A.I.D.'s consideration for allowing the Bank to charge the Sub-Borrower an additional fee of 6-1/4 percent per annum to provide a reserve to meet fluctuations in the exchange rate. The Deputy Assistant Administrator for Capital Development, LA, has recommended acceptance, and the Project Committee concurs. The Loan Authorization has been changed to reflect this point.

Argentina - Total Additional Storage Recommended on Farms and at Country Elevators

Country	ADDITIONAL STORAGE CAPACITY RECOMMENDED (metric tons)		Indicated Number of Storage Units by Size					
	On farms	At country elevators	On farms (capacity ranges - metric tons)			Country elevators (capacities - metric tons)		
			100-200	200-400	Over 400	3,000	5,000	10,000
DISTRICT I	267,136	343,929	41	187	381			
DISTRICT II	64,299	106,440	93	32	79	10	23	20
DISTRICT III	749,232	183,852	52	726	874	10	5	5
DISTRICT IV	304,134	57,510	134	309	317	11	16	7
DISTRICT V	204,846	86,479	28	227	218	4	9	0
DISTRICT VI	241,305	33,677	96	428	163	8	10	1
DISTRICT XIV	22,178	16,859	76	18	13	4	2	1
OTHER AREAS	154,204	51,656	120	142	162	4	1	0
<u>TOTAL BUENOS AIRES PROVINCE</u>	<u>2,007,334</u>	<u>880,402</u>	<u>640</u>	<u>2,069</u>	<u>2,207</u>	<u>51</u>	<u>76</u>	<u>34</u>
DISTRICT VII	121,952	153,126	187	110	79	2	12	9
DISTRICT VIII	341,912	603,400	0	287	425	4	0	59
OTHER AREAS	72,017	87,189	111	65	47	1	3	?
<u>TOTAL SANTA FE PROVINCE</u>	<u>535,861</u>	<u>843,715</u>	<u>298</u>	<u>462</u>	<u>551</u>	<u>7</u>	<u>15</u>	<u>75</u>
DISTRICT IX	377,780	180,987	384	365	351	6	29	2
DISTRICT X	164,555	208,440	119	38	228	0	0	21
OTHER AREAS	66,222	34,494	67	64	61	0	7	0
<u>TOTAL CORDOBA PROVINCE</u>	<u>608,557</u>	<u>423,921</u>	<u>570</u>	<u>467</u>	<u>640</u>	<u>6</u>	<u>36</u>	<u>23</u>
DISTRICT XI	18,824	72,598	7	32	13	2	9	2
DISTRICT XII	15,038	70,851	33	11	13	7	10	0
OTHER AREAS	0	0	0	0	0	0	0	0
<u>TOTAL ENTRE RIOS PROVINCE</u>	<u>33,862</u>	<u>143,449</u>	<u>40</u>	<u>43</u>	<u>26</u>	<u>9</u>	<u>19</u>	<u>2</u>

SECRETARY OF AGRICULTURE

Argentina - Total Additional Storage Recommended on Farms and at Country Elevators (Continued)

Country	ADDITIONAL STORAGE CAPACITY RECOMMENDED (metric tons)		Indicated Number of Storage Units by Size					
	On farms	At country elevators	On farms (capacity ranges- metric tons)			Country elevators (capacities-metric tons)		
			100-200	200-400	Over 400	3,000	5,000	10,000
DISTRICT XIII	369,283	64,792	196	422	369	12	4	1
OTHER AREAS	86,150	17,489	46	98	86	2	2	0
<u>TOTAL LA PAMPA PROVINCE</u>	<u>455,433</u>	<u>82,281</u>	<u>242</u>	<u>520</u>	<u>455</u>	<u>14</u>	<u>6</u>	<u>1</u>
<u>TOTAL FIVE PROVINCES</u>	<u>3,641,067</u>	<u>2,373,768</u>	<u>1,790</u>	<u>3,561</u>	<u>3,879</u>	<u>87</u>	<u>152</u>	<u>135</u>

SECRETARY OF AGRICULTURE

D. Economic Analysis

Argentina is one of the major grain producing nations of the World. Its exports of grains have traditionally constituted a vital source of foreign exchange earnings. It has traditionally marketed its production in excess of domestic needs in neighboring deficit producing countries such as Brazil, and it has also been a major supplier of the European market. During the past 20 years, however, the economic policies, detrimental to agriculture, followed by the Government of Argentina have resulted in a reduction in grain production at the same time that domestic consumption was continually rising. Consequently, in recent years Argentina has not been able to meet its commitments for grain even to its neighboring countries.

Many factors have contributed to this deteriorating situation. The failure of Argentina to maintain a modern grain storage and marketing system has been a major factor. Argentina has continued to use antiquated methods of grain handling and storage, such as the use of bags in lieu of bulk storage, with resulting costs much higher than the bulk storage. Moreover, there has been a shortage of any type to the point that annual losses of grain from inadequate storage have been significant.

Agri Research Inc., the consultants who have prepared the feasibility survey have done a thorough and extensive analysis of projected grain production, and the resulting need for grain storage facilities of all types ranging from port storage to country elevator and on-the-farm storage. The consultants have carefully analyzed the relative need of country elevators versus on-the-farm storage by each producing district. The results of their findings are shown in the preceding table. In summary, they have determined that the breaking point between the feasibility of on-the-farm storage versus country elevators is an annual production per farm of approximately 150 metric tons. Farms producing less than this amount will find it more economical to store their grain in country elevators and obtain warehouse receipts rather than to construct their own grain storage facilities. The consultants have then made calculations of the benefit-cost ratios of each type of storage and have found them to range as high as four to one. The resulting recommendations are for a national grain storage program projected over a 10-year period for country elevators of 2.4 million tons capacity at a total cost of \$167.6 million and on-the-farm grain storage program projected over a 5 year period of 3.7 million tons capacity and costing \$70.6 million.

Revised 4/19/63

Tables 11, 12, 13, and 14 of Annex III show the relationship of benefits to costs, and other related economic projections.

In addition to lowering marketing costs, conversion from bag-type storage to bulk storage will result in an estimated saving of foreign exchange of approximately \$4.4 million annually through reducing import requirements for burlap by more than 12,000 tons per year.

Private sub-borrowers will have to finance approximately 30 percent of the cost of each facility. Thus internal private resources will be mobilized through this loan. Moreover, by requiring the Bank to finance a substantial portion of the facilities' costs from its own resources, a shift away from concentration on financing industry and commerce and in favor of the neglected agricultural sector will be encouraged.

Economic factors surrounding this project are of both short-and-long range importance. While the projects are primarily aimed at solving long range problems, their implementation is consistent with Argentina's short-range economic and financial difficulties, which are related both to the country's balance of payments position, and to its internal credit situation.

It is contemplated that the entire foreign exchange costs of the project will be financed from A.I.D. loan funds on terms and conditions which will not aggravate the difficult balance of payments position projected for Argentina over the next five to seven years.

The original request by the Bank called for A.I.D. to provide 70% of the local cost of the program; i.e., the entire amount not provided by the sub-borrowers from their own resources. In weighing this request, A.I.D. has attempted to estimate the indirect foreign exchange impact of the execution of this 2-year program. On the basis of 1955-59 data, the marginal propensity to imports of Argentina, has been calculated at about 15%. On the basis of this coefficient and without taking into account the likely multiplier effects of the execution of the project, its indirect foreign costs would be about \$6.8 million. This would constitute an important element in justifying a certain amount of dollar financing of the

local costs, particularly during the first year of the program when the Argentina balance of payments and foreign exchange reserve position can be expected to remain quite critical as explained more fully below.

The outlook for Argentina's financial and Balance of Payments position in 1963 is not encouraging. The I.M.F. has just completed an exhaustive study and has imposed a series of conditions, with which the D.L.C. is intimately familiar, as a condition to an I.M.F. drawing by Argentina. The Fund feels that Argentina will continue to experience budgetary stringencies for some time until recommended actions are fully effective. With regards to the Balance of Payments projections for 1963 the Fund has the following to say.

"Any attempt to indicate the prospective balance of payments trends for 1963 is particularly hazardous at this time. With a fluctuating exchange rate, with the uncertainties associated with a change of administration, and with unreliable data even for 1962, it is clearly impossible to do more than indicate the magnitude of some of the major trends now observable. With these important qualifications, the staff estimates that there should be substantial improvement in the over-all payments position in 1963 over 1962 arising on both currency and capital accounts, but because of the larger deficit in 1962 there still is likely to be a significant deficit in 1963 to be financed through the Central Bank."

While the purpose of this loan is neither for budgetary or balance of payments assistance, the Project Committee feels that the relief which the dollars financing of peso costs of approximately \$4.1 million in 1963-64 and \$1 million in 1964-65 will afford the Argentine balance of payments will serve the broader interests of the U.S. vis-a-vis Argentina.

The Loan Committee further studied the need for local currency financing, both from the standpoint of the ability of the Bank to provide a substantial share from its own resources and from the standpoint of the Country's over-all financial and balance of payments position. Regarding the Bank's ability to provide some financing, the committee notes that from 1959 through 1961 the Bank made annual loans to the Agricultural Sector ranging from an equivalent of \$152.6 million in 1959 to \$275.5 million in 1961. The following table shows the loan totals of the Bank in those three years.

TOTAL LOANS AND LOANS TO AGRICULTURE BY BANCO DE LA NACION
1959 - 1961

<u>Year</u>	<u>Total Loans</u>		<u>Loans to Agriculture</u>	
	(in million pesos)	(in million \$ equiv.)	(in million pesos)	(in million \$ equiv.)
1959	25,336	304.4	12,705	152.6
1960	35,642	425.8	15,953	190.6
1961	52,113	627.7	22,875	275.5

It will be noted from the foregoing table that the percentage of loans to Agriculture declined from 50% in 1959 to 44% in 1961. Totals for 1962 are not yet available. This trend is contrary to the goals which the Country Team has recommended. The committee therefore feels that it would be most plausible for the Bank to shift sufficient funds to its Agricultural portfolio to finance 30% (approximately \$9.3 million) in 1963-64 and 40% (approximately \$12.4 million in 1964-65).

The Bank's most difficult problem in extending such financing will result from the terms of the sub-loans. The Bank operates primarily as a commercial bank and the bulk of its loans have consequently been of short term of not exceeding 2 to 3 years. The proposed terms for the grain storage loans range from 5 years for Farm Storage to 10 years for Country Elevators. This problem can be met, however, by the inclusion of sufficient funds in the GOA's development budgets in October of 1963 and 1964 to cover the Bank's requirements for extending the necessary financing.

E. Financial Analysis

1. Total Financing Requirements of the Project and Financial Plan

The estimated total cost of the 10-year country elevator program is the equivalent of \$167.6 million of which the foreign exchange proponent is estimated at \$53.5 million. The Bank has requested that A.I.D. loan 70 percent of the total cost of the project or \$117.3 million. This is based upon the Bank's intention

~~CONFIDENTIAL~~

to require the sub-borrowers to provide 30% of the cost of each facility and related equipment with the remaining 70% to be loaned by the Bank from the A.I.D. loan funds. The estimated total cost of the 5-year program of on-the-farm storage is the equivalent of \$70.6 million, of which the foreign exchange component is estimated at \$14.8 million. The Bank has requested A.I.D. to also finance 70% of this total cost or \$49.4 million. This figure is arrived at in the same fashion as that for the country elevator storage.

A.I.D. believes that the maximum feasible financing should be provided from internal Argentine resources. It therefore believes that a more realistic program would envision a 2-year program both for the country elevator storage and on-the-farm storage. Such a program, based upon the economic analysis in the foregoing pages would have the following financial plan:

1963-64 Financing Plan

	<u>Sub-Borrower</u>		<u>Bank</u>		<u>A.I.D.</u>		<u>Total</u>	
	Percent	Mil.\$	Percent	Mil.\$	Percent	Mil.\$	Percent	Mil.\$
Country								
Elevators	30	5.04	30	5.04	40	6.72	100	16.8
Farm								
Storage	30	<u>4.26</u>	30	<u>4.26</u>	40	<u>5.68</u>	100	<u>14.2</u>
		9.30		9.30		11.40		31.0

1964-65 Financing Plan

	<u>Sub-Borrower</u>		<u>Bank</u>		<u>A.I.D.</u>		<u>Total</u>	
	Percent	Mil.\$	Percent	Mil.\$	Percent	Mil.\$	Percent	Mil.\$
Country								
Elevators	30	5.04	40	6.72	30	5.04	100	16.8
Farm								
Storage	30	<u>4.26</u>	40	<u>5.68</u>	30	<u>4.26</u>	100	<u>14.2</u>
		9.30		11.40		9.30		31.0

~~CONFIDENTIAL~~

Total Financing Plan
1963 - 1965

	<u>Sub-Borrower</u> Mil.\$	<u>Bank</u> Mil.\$	<u>A.I.D.</u> Mil.\$	<u>Total</u> Mil.\$
Country Elevators	10.08	11.76	11.76	33.6
Farm Storage	<u>8.52</u>	<u>9.94</u>	<u>9.94</u>	<u>28.4</u>
	18.60	21.70	21.70	62.0

Of the total of \$21.7 million of A.I.D. financing it is estimated that \$16.6 million would be to finance the imputed foreign exchange costs and \$5.1 million would be for financing the imputed peso costs.

2. Borrower's Financial Status and Financial Participation

The Bank is one of the oldest financial institutions in Argentina with more than 60 years of lending experience. Its capital and reserves as of September 30, 1962, was 5.5 billion pesos.

An examination of its balance sheet for 1961 -- the latest full year available shows total assets of 71 billion pesos (\$617 million), liabilities of 65.8 billion pesos (\$572 million), and Capital and Reserves of 5.2 billion pesos (\$45 million).

In 1961 the Bank showed a profit of 734 million pesos. (\$6.4 million).

Since the Bank is a Government entity it will have the resources of the G.O.A. behind its obligations.

Reasonable prospects for repayment of the loan are determined to exist.

3. Other Free World Financing Available

As previously indicated these projects have been discussed with international financial institutions including the I.D.B. and the Eximbank. Neither is in a position at this time to extend the necessary financing. Furthermore, it has been determined that private financing, including Argentina commercial bank financing, is not presently available and is not expected to be available in the foreseeable future because of the extreme tightness of credit in Argentina.

4. With regard to the relative contributions to the Program by the Bank and the Sub-Borrowers, Bank representatives attending the I.D.B. meeting in Caracas, Venezuela, beginning the week of April 22, 1963, have requested A.I.D.'s concurrence through the Deputy Assistant Administrator for Capital Development, LA, in a flexible formula. Although the over-all objective is for a 30 percent contribution by the Sub-Borrowers, the ability of Sub-Borrowers to meet this objective will vary. The Deputy Assistant Administrator for Capital Development, LA, has therefore recommended a flexible formula allowing the Bank to determine the relative contributions on each project by the Bank versus the Sub-Borrower. The Project Committee concurs in this recommendation.

~~CONFIDENTIAL~~

SECTION III - EFFECT UPON THE U.S. ECONOMY

A. Competition with U.S. Enterprise

The matter of potential effects upon the U.S. economy has been thoroughly explored.

During the ten-year period 1956-66 the consultants have projected that the Argentine domestic market will consume more than 2/3 of all grain produced in the country, while less than 1/3 will be exported. Much of the grain moving into export moves directly from the farm to the port elevator at time of harvest. The country elevator and on-farm storage therefore has its greatest impact on the internal marketing system of grains for domestic consumption. The effect on the U.S. economy from these projects is therefore not expected to be of major consequence.

The Assistant Secretary of State for Latin America has, in Annex I, page 1, requested A.I.D. to give the most serious consideration to this loan. The Administrator's reply approving such consideration is shown in Annex I, page 3.

B. Source/Origin of Procurement of Goods and Services

All goods and services associated with this loan must have their source and origin in the United States or Argentina.

SECTION IV - SPECIAL TERMS AND CONDITIONS

An important part of the modern grain storage and marketing system is the warehousing law embodying a system of warehousing receipts, as conditions precedent to the first disbursement under this loan, therefore, the Government of Argentina is asked to covenant that it will exert all reasonable effort in having enacted into law provisions for such a warehousing system in Argentina within one year of the first disbursement on the first country elevator being constructed from the A.I.D. loan funds.

~~CONFIDENTIAL~~

SECTION V - ISSUES

An issue has arisen with regard to the most desirable timing for the proposed \$21.7 million loan to Argentina for financing On-Farm and Country Elevator Grain Storage. This issue revolves around the fact that the present administration in Argentina is a caretaker government pending elections in June and assumption of the reins of government by the newly elected administration in October. Given the fact that this is a caretaker government the question has been raised as to whether it is in the mutual interest of the U.S. government and the government of Argentina to move ahead with the loan within the next 30 days or to postpone the offer of the loan until the newly elected administration has assumed power in October. The arguments pro and con for delaying the loan as we see them, are as follows:

Arguments in Favor of Delaying Loan:

1. There may be some political advantage for delaying the loan until the new administration assumes power in order that they might receive the benefits of the psychological impact arising from the announcement of the loan.

2. Argentina's present unsettled political situation and short-range financial plight present some justification for delaying this loan until the situation is clarified. A delay until November 1963 would hopefully provide time for such a clarification.

Arguments in Favor of Moving Ahead with Loan:

1. A delay in consideration of the Grain Storage project until October of 1963, would not only mean a delay of approximately 6 months but would more significantly mean the loss of one further crop year and would result in a delay in availability of storage facilities, particularly On-Farm Storage facilities, for 14 to 18 months from present time.

2. Granted the fact that the present Argentine administration is a caretaker government, the fact nevertheless remains that a commitment was made to the Government of Argentina in February of 1962, for development loans in the amount of \$80 million, subject to Argentina producing necessary information to support the individual projects. Following this commitment there was a change in administrations and a considerable measure of political and financial instability ensued. Several times during this period between March

~~CONFIDENTIAL~~

and September 1962, we were advised to hold off on any considerations and announcement of new development loans. Fortunately, however, our people did proceed on a course of urging and working closely with the government of Argentina to develop the necessary information to support specific development loans, of which the Grain Storage loan is but one. Despite the fact, however, that this commitment was made to a prior GOA administration, succeeding administrations were increasingly critical that A.I.D. had not proceeded with development loans. This is perhaps best illustrated by the recent article written by the former Minister of Finance, Alsogaray, which appeared in the Buenos Aires Herald and was quite critical of the U.S. for not moving ahead. Although the article was filled with inaccuracies it did reflect the fact that from the political standpoint there appears to be little to gain and much to lose to delay consideration of loans to an "optimum" time.

3. From the longer range economic standpoint we believe that it is essential that the Alliance move ahead with loans on sound projects. It seems inevitable that a measure of political instability will be a part of the Argentine scene for some time to come. This raises the strange paradox that if political and economic stability is ever to ensue in Argentina, economic development must probably proceed in spite of an existing administration rather than as a result of it. We believe the only way this can happen is to proceed down the road of granting long range development loans to sound projects on such terms and conditions that they will not place a further strain upon Argentina's short-range precarious financial position. We believe the results of such a course will be both material and psychological and can eventually provide the margin of difference between stability and instability.

Recommendation: Taking the foregoing arguments in balance both CD/LA and ARA strongly recommend that we proceed with consideration of the On-Farm Grain Storage and Country Elevator Grain Storage projects as soon as possible, and if they are approved by the Administrator, to offer the loan to Argentina without regard to the timing of elections and other political factors. CD/LA and ARA recommend that consideration be given to other development loans on a continuing basis as soon as the technical and economic feasibility of each is established and the resulting recommendations are presented to you and to the Administrator. CD/LA and ARA further recommend that we continue to encourage Argentina to proceed with the necessary feasibility surveys to establish the economic and technical feasibility of future projects and that where necessary A.I.D. assist in the financing of such feasibility surveys.

~~CONFIDENTIAL~~

ANNEX II - CHECKLIST OF STATUTORY CRITERIA

1. F.A. Act of 1961, as amended, Section 204.
The loan will be subject to the standards and criteria for lending operations established by the Development Loan Committee.
2. F.A. Act of 1961, as amended, Section 251(a).
The loan will promote economic development in Latin America.
3. F.A. Act of 1961, as amended, Section 251(b).
This loan is primarily related to the development of economic resources.
4. F.A. Act of 1961, as amended, Section 251(b)(1).
Account has been taken of the principles of the Act of Bogota and of the Charter of Punta del Este.
5. F.A. Act of 1961, as amended, Section 251(b)(1).
Account has been taken of the extent to which Argentina is showing a responsiveness to the vital economic, political, and social concerns of its people and is demonstrating a clear determination to take effective self-help measures.
6. F.A. Act of 1961, as amended, Section 251(b)(2).
The activity to be financed is economically and technically sound.
7. F.A. Act of 1961, as amended, Section 251(b)(3).
The activity is consistent with and is related to other development activities being undertaken or planned and will contribute to realizable long-range objectives.

8. F.A. Act of 1961, as amended, Section 251(b)(4).
The loan will have no effect on the U. S. economy and will not have a serious effect on the areas of substantial labor surplus.
9. F.A. Act of 1961, as amended, Section 251(b).
Financing from other free world sources on reasonable terms for this project has been obtained to the extent possible.
10. F.A. Act of 1961, as amended, Section 251(b).
Argentina has made efforts to repatriate capital invested in other countries by its own citizens.
11. F.A. Act of 1961, as amended, Section 251(b).
There are reasonable prospects of repayment of this loan.
12. F.A. Act of 1961, as amended, Section 251(b), 201(d).
Funds will not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower or higher than the applicable legal rate of interest for the country.
13. F.A. Act of 1961, as amended, Section 251(b); Section 204.
The loan shall be subject to the standards and criteria for lending operations established by the DLC.
14. F.A. Act of 1961, as amended, Section 251(e).
An application has been received for this loan which gives sufficient information and assurances to indicate reasonably that the funds will be used in an economical and technically sound manner.
15. F.A. Act of 1961, as amended, Section 601.
The loan will be handled in such a manner as to encourage and facilitate participation by private enterprise to the maximum extent practicable.

16. F.A. Act of 1961, as amended. Section 602(a)(1), (2) and (3).

To the extent practicable and consistent with the accomplishment of American objectives, small business will be assisted to participate equitably in the furnishing of commodities and materials financed from these funds.

17. F.A. Act of 1961, as amended, Section 603 and Merchant Marine Act of 1936, as amended, Section 901.

Shipment of goods, etc., financed by funds provided under this loan will be consistent with the requirements of the referenced statutes.

18. F.A. Act of 1961, as amended, Section 604(a). Presidential Determination of October 18, 1961.

All procurement from loan funds will be in Argentina and the U.S.

19. F.A. Act of 1961, as amended, Section 604(b).

Funds made available under this loan will not be used to purchase commodities in bulk at prices higher than the U.S. Market price.

20. F.A. Act of 1961, as amended, Section 604(d).

Marine insurance will be purchased pursuant to statutory requirements.

21. F.A. Act of 1961, as amended, Section 605(c).

Funds made available under this loan will not be used to purchase drugs of the kind described in this section.

22. F.A. Act of 1961, as amended, Section 611(a)(1).

Necessary substantive technical or financial planning has been completed in connection with this project.

23. F.A. Act of 1961, as amended, Section 611(a)(2).

It is reasonably anticipated that necessary legislative action will be completed in time to permit orderly accomplishment of the purposes of the loan.

24. F.A. Act of 1961, as amended, Section 611(b).
Not applicable.
25. F.A. Act of 1961, as amended, Section 611(c).
All contracts for construction outside the United States will be made on a competitive basis to the maximum extent practicable.
26. F.A. Act of 1961, as amended, Section 619.
Full consideration has been given to financing this loan through multilateral organizations.
27. F.A. Act of 1961, as amended, Section 620(a).
No assistance will be furnished under this loan to the Government of Cuba or to any country which furnishes military or economic aid to that government.
28. F.A. Act of 1961, as amended, Section 620(b).
The Secretary of State has determined the host country is not controlled by international Communist movement.
29. F.A. Act of 1961, as amended, Section 620(c).
The host country is not indebted for goods or services to a U. S. citizen who has exhausted available legal remedies or whose claim is not denied or contested or arises under an unconditional guaranty of payment.
30. F.A. Act of 1961, as amended, Section 620(d).
The loan does not finance construction or operation of any productive enterprise which will compete with United States enterprise.

31. F.A. Act of 1961, as amended, Section 620(e).

Neither the government of the host country nor any governmental agency or subdivision has acted inconsistently with subsections 620(e)(1) or (2) and failed within a reasonable time not to exceed six months to take appropriate steps to discharge its obligations under international law.

32. F.A. Act of 1961, as amended, Section 620(f).

The assistance provided in this loan will not be furnished to any Communist country.

33. F.A. Act of 1961, as amended, Section 620(g).

The assistance provided in this loan will not be used to compensate for expropriated property.

34. F.A. Act of 1961, as amended, Section 620(h).

The assistance provided in this loan will not be used in a manner which promotes or assists the foreign aid projects of the Communist bloc countries.

35. F.A. App. Act of 1963, Section 102.

Obligations of funds in excess of \$25,000 for architectural and engineering fees to any firm or group of firms on any one project will be reported to the Committees on Appropriations of the Senate and the House.

36. F.A. App. Act of 1963, Section 104.

None of the funds obligated for this project shall be used for pensions, annuities, etc., as provided in this section.

37. F.A. App. Act of 1963, Section 107(a).

Argentina does not furnish or permit ships under its registry to carry material to Cuba as prescribed in this subsection.

38. F.A. App. Act of 1963, Section 107(b).

Argentina does not furnish or permit ships under its registry to carry items of economic assistance to Cuba as prescribed in this subsection.

39. F.A. App. Act of 1963, Section 109.

The Argentine Government is not based on a Communistic theory of government.

40. F.A. App. Act of 1963, Section 110.

The United States will not be a party to the contracts entered pursuant to this loan.

41. F.A. App. Act of 1963, Section 111.

All contracts pursuant to this loan will require that U. S. citizens performing services thereunder be investigated for loyalty and security as though regularly employed by the United States.

42. F.A. App. Act of 1963, Section 112.

The United States will directly approve the terms of contracts and the firms providing engineering procurement, or construction, services on the project.

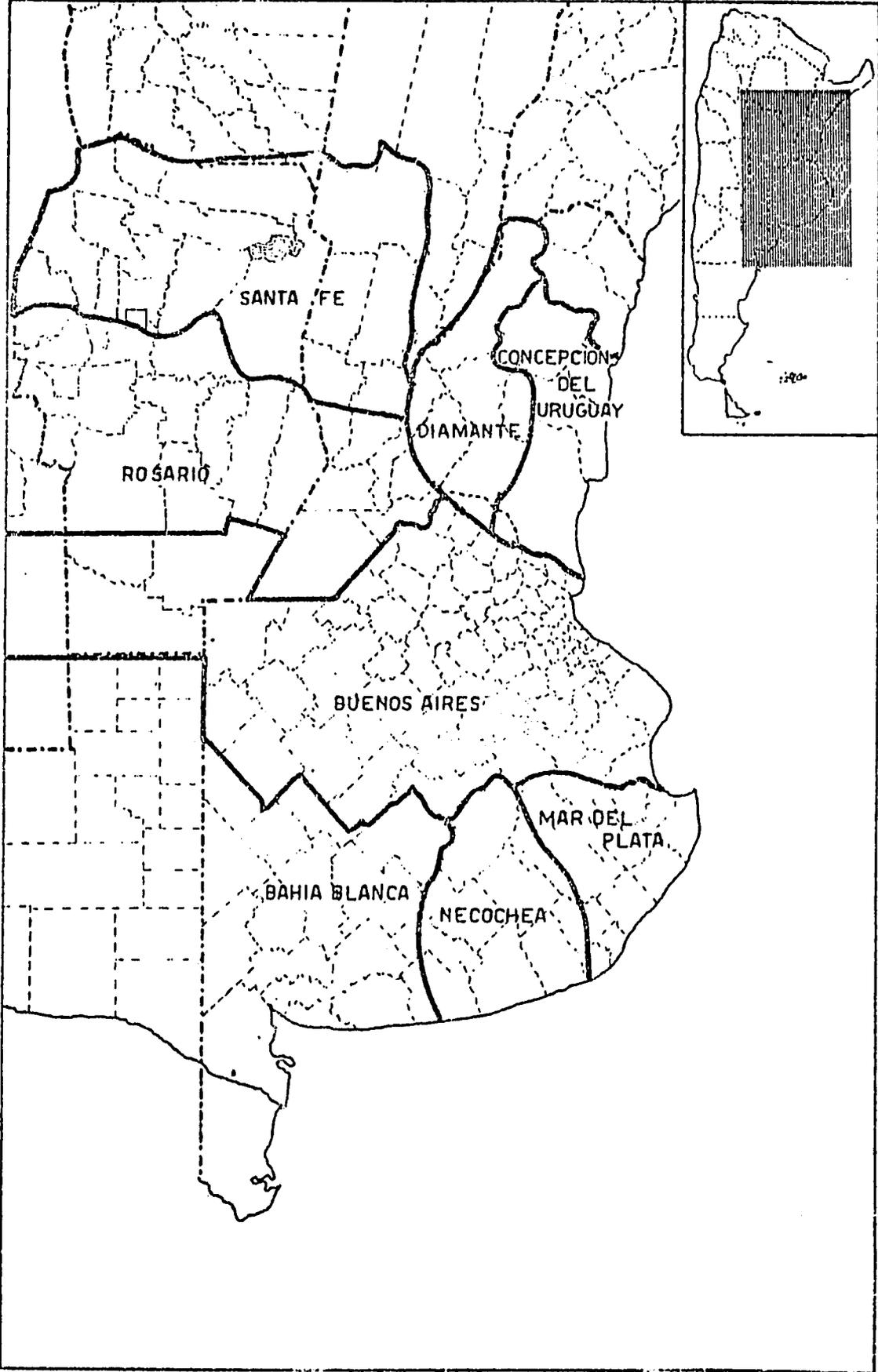
43. F.A. App. Act of 1963, Section 114.

None of the loan funds will be used to pay any assessments, arrearages or dues to the United Nations.

44. F.A. App. Act of 1963, Section 601.

None of the loan funds will be used for publicity or propaganda within the United States.

GRAIN MARKETING AND EXPORT ZONES IN THE PAMPA REGION



UNCLASSIFIED
AID-DLC/P-133
ANNEX III
Rev. 4/19/63

ARGENTINA - FARM AND COUNTRY ELEVATOR
GRAIN STORAGE

TABLE OF CONTENTS

	<u>Page</u>
Exhibit 1.....	2
Exhibit 2.....	3
Exhibit 3.....	4
Exhibit 4.....	5
Exhibit 5.....	6
Exhibit 6.....	7
Exhibit 7.....	8
Exhibit 8.....	9
Exhibit 9.....	10
Exhibit 10.....	11
Exhibit 11.....	12
Exhibit 12.....	13
Exhibit 13.....	14
Exhibit 14.....	15

UNCLASSIFIED

DETAILED PROJECT DESCRIPTION

Farm Storage Units

Of the 9,200 farm storage units planned in the over-all program it is estimated 1790 will have a capacity of 150 tons; 3561 of 300 tons, and 3879 with a capacity of 600 tons.

Construction will be of galvanized steel or aluminum alloy sheet mounted on a reinforced concrete foundation. All storage units will include provision for mechanical loading and gravity unloading. In areas producing corn or mixed grains provision will be made for drying.

Country Storage Units

The over-all program include 374 elevators of which 87 will have a capacity of approximately 3000 tons; 152 with 5000 tons and 135 with 10,000 tons.

Construction will be of reinforced concrete using the standard approval plans. If the owner desires another design or construction of some other material he will be required to furnish plans and specifications that will demonstrate his design is equal in all conditions to the standard plans. In as many cases as possible the country storage units will be located where there is a source of electricity but where this is not possible a power source will be supplied in the plant design.

(See map for general locations of storage areas).

The estimated costs for farm storage and country storage units are shown in Exhibits 1 to 10 of this Annex. The cost of employing a firm for the engineering supervision for the Bank is estimated at \$500,000 of which about \$300,000 would be in local currencies.

Number of Recommended Farm Storage Units Which Require Grain Dryers

DISTRICTS AND PROVINCES	With Dryer			Without Dryers			TOTAL		
	150 T.	300 T.	600 T.	150 T.	300 T.	600 T.	150 T.	300 T.	600 T.
DISTRICT I	41	187	381	-	-	-	41	187	381
DISTRICT II	93	32	79	-	-	-	93	32	79
DISTRICT III	-	-	-	52	726	874	52	726	874
DISTRICT IV	-	-	-	134	309	317	134	309	317
DISTRICT V	-	-	-	28	227	218	28	227	218
DISTRICT VI	-	-	-	96	428	163	96	428	163
DISTRICT XIV	-	-	-	76	18	13	76	18	13
OTHER AREAS	-	-	-	120	142	162	120	142	162
TOTAL BUREAU AREAS	<u>134</u>	<u>219</u>	<u>460</u>	<u>506</u>	<u>1,850</u>	<u>1,747</u>	<u>640</u>	<u>2,069</u>	<u>2,207</u>
DISTRICT VII	187	110	79	-	-	-	187	110	79
DISTRICT VIII	-	287	425	-	-	-	-	287	425
OTHER AREAS	111	65	47	-	-	-	111	65	47
TOTAL BUREAU FR	<u>298</u>	<u>462</u>	<u>551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>462</u>	<u>551</u>
DISTRICT IX	384	365	351	-	-	-	384	365	351
DISTRICT X	119	38	228	-	-	-	119	38	228
OTHER AREAS	67	64	61	-	-	-	67	64	61
TOTAL BUREAU	<u>570</u>	<u>467</u>	<u>640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>570</u>	<u>467</u>	<u>640</u>
DISTRICT XI	7	32	13	-	-	-	7	32	13
DISTRICT XII	33	11	13	-	-	-	33	11	13
OTHER AREAS	-	-	-	-	-	-	-	-	-
TOTAL BUREAU RIOS	<u>40</u>	<u>43</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>43</u>	<u>26</u>
DISTRICT XIII	-	-	-	196	422	369	196	422	369
OTHER AREAS	-	-	-	46	98	86	46	98	86
TOTAL LA PASTA	<u>-</u>	<u>-</u>	<u>-</u>	<u>242</u>	<u>520</u>	<u>455</u>	<u>242</u>	<u>520</u>	<u>455</u>
TOTAL FIVE PROVINCES	<u>1,042</u>	<u>1,191</u>	<u>1,677</u>	<u>748</u>	<u>2,370</u>	<u>2,202</u>	<u>1,790</u>	<u>1,561</u>	<u>1,879</u>

ESTIMATED COST FOR EACH INSTALLATION

<u>150 TON. INSTALLATION</u>		Import m\$ <u>n</u>	Import u\$ <u>s</u>	Total Equiv. u\$ <u>s</u>
One Bin Erected including foundation and aeration ducts	m\$ <u>n</u> 221,000			
One Conveyor-elevator including motor	136,600			
One Aeration fan and motor	31,300			
<u>TOTAL</u>	<u>388,900</u>	<u>81,750</u>	<u>711</u>	<u>3,342</u>
 <u>300 TON. INSTALLATION</u>				
2 Bins-Complete	442,000			
1 Conveyor-elevator	136,600			
1 Aeration fan	31,300			
<u>TOTAL</u>	<u>609,900</u>	<u>128,000</u>	<u>1,113</u>	<u>5,303</u>
 <u>600 TON. INSTALLATION</u>				
4 Bins-Complete	884,000			
1 Conveyor-elevator	136,600			
1 Aeration fan	31,300			
<u>TOTAL</u>	<u>1,051,900</u>	<u>222,000</u>	<u>1,930</u>	<u>9,147</u>
Grain Dryer Complete	218,312	44,700	389	1,898

NOTE: Exchange rates are calculated at u\$s 1.00 = m\$n 115.-

Total Original Cost and Computed Annual Fixed Investment Cost per
Farm Storage Unit by Size and Type. (M\$N)

Source of original cost and annual expense	150 - ton installation		300 - ton installation		600 - ton installation	
	With dryer	Without dryer	With dryer	Without dryer	With dryer	Without dryer
Original cost:						
Building	221,000	221,000	442,000	442,000	884,000	884,000
Machinery	386,212	167,900	386,212	167,900	386,212	167,900
Total	607,212	388,900	828,212	609,900	1,270,212	1,051,900
Annual fixed investment cost:						
Depreciation:						
1. Building ^a	8,840	8,840	17,680	17,680	35,360	35,360
2. Equipment ^b	25,760	11,199	25,760	11,199	25,760	11,199
3. Total	34,600	20,039	43,440	28,879	61,120	46,559
Other ^c	37,344	23,917	50,935	37,509	78,118	64,692
Total	71,944	43,956	94,375	66,388	139,238	111,251

UNITED STATES
AGRICULTURAL
EXHIBIT 3, page 4 of 15

- ^a Based on straight-line depreciation over 25 years of useful life. See table 72, page 206 of the Agri Research report.
- ^b Based on straight-line depreciation over 15 years of useful life. See table 72, page 206 of the Agri Research report.
- ^c Interest and property taxes at .06 and .0015, respectively, of the total original cost of bins and equipment. See table 72, page 206 of the Agri Research report.

Power Plant Requirement for Recommended Country Elevators at New Locations

DISTRICTS AND PROVINCES	Requiring power plant			Not requiring power plant			Total at new locations		
	3,000 T.	5,000 T.	10,000 T.	3,000 T.	5,000 T.	10,000 T.	3,000 T.	5,000 T.	10,000 T.
DISTRICT I	6	8	4	2	5	3	8	13	7
DISTRICT II	7	3	1	2	1	4	9	4	5
DISTRICT III	9	10	2	-	2	3	9	12	5
DISTRICT IV	2	2	-	2	4	-	4	6	-
DISTRICT V	4	6	1	-	4	-	4	10	1
DISTRICT VI	3	2	1	1	-	-	4	2	1
DISTRICT XIV	-	-	-	4	1	-	4	1	-
OTHER AREAS	-	4	-	-	6	-	4	1	-
<u>TOTAL BUENOS AIRES</u>	<u>31</u>	<u>35</u>	<u>9</u>	<u>11</u>	<u>23</u>	<u>10</u>	<u>42</u>	<u>58</u>	<u>19</u>
DISTRICT VII	1	8	2	-	3	-	1	11	2
DISTRICT VIII	-	-	3	-	-	6	-	-	9
OTHER AREAS	1	1	6	-	2	1	1	3	7
<u>TOTAL SANTA FE</u>	<u>2</u>	<u>9</u>	<u>11</u>	<u>-</u>	<u>5</u>	<u>7</u>	<u>2</u>	<u>14</u>	<u>18</u>
DISTRICT IX	5	10	1	-	11	-	5	21	1
DISTRICT X	-	-	1	-	-	-	-	-	1
OTHER AREAS	-	3	-	-	3	-	-	-	1
<u>TOTAL CORDOBA</u>	<u>5</u>	<u>13</u>	<u>2</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>5</u>	<u>27</u>	<u>2</u>
DISTRICT XI	2	9	2	-	-	-	2	9	2
DISTRICT XII	7	10	-	-	-	-	7	10	-
OTHER AREAS	-	-	-	-	-	-	-	-	-
<u>TOTAL ENTRE RIOS</u>	<u>9</u>	<u>19</u>	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DISTRICT XIII	12	3	1	-	-	-	9	19	2
OTHER AREAS	2	2	-	-	-	-	12	3	1
<u>TOTAL LA PLATA</u>	<u>14</u>	<u>5</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
<u>TOTAL FIVE PROVINCES</u>	<u>62</u>	<u>87</u>	<u>21</u>	<u>11</u>	<u>42</u>	<u>17</u>	<u>72</u>	<u>121</u>	<u>42</u>

UNCLASSIFIED
 ANNEX III, Page 6 of 15
 Exhibit 5

Additional Country Elevators Proposed for Acquisition by 1955/2316

DISTRICTS AND PROVINCES	Existing Location			New Location			With Dryer			Without Dryer		
	3,000 T.	5,000 T.	10,000 T.	3,000 T.	5,000 T.	10,000 T.	3,000 T.	5,000 T.	10,000 T.	3,000 T.	5,000 T.	10,000 T.
DISTRICT I	2	10	13	8	13	7	10	23	20	-	-	-
DISTRICT II	1	1	-	9	4	5	10	5	5	-	-	-
DISTRICT III	2	4	2	9	12	5	11	13	6	-	3	1
DISTRICT IV	-	3	-	4	6	-	2	2	-	2	7	-
DISTRICT V	4	-	-	4	10	1	1	4	-	7	6	1
DISTRICT VI	-	-	-	4	2	1	-	-	-	4	2	1
DISTRICT XIV	-	-	-	4	1	-	-	-	-	4	1	-
OTHER AREAS	-	-	-	-	10	-	-	10	-	-	1	-
NIGAL B. M. PROVINCE	9	18	15	42	58	19	34	57	31	17	19	3
DISTRICT VII	1	1	7	1	11	2	2	12	2	-	-	-
DISTRICT VIII	4	-	50	-	-	9	4	-	38	-	-	-
OTHER AREAS	-	-	-	1	3	7	1	3	7	-	-	-
TOTAL NIGAL B. M. PROVINCE	5	1	57	2	14	18	7	15	75	-	-	-
DISTRICT IX	1	8	1	5	21	1	6	29	2	-	-	-
DISTRICT X	-	-	20	-	-	1	-	-	21	-	-	-
OTHER AREAS	-	1	-	-	6	-	-	7	-	-	-	-
NIGAL B. M. PROVINCE	1	9	21	5	27	2	6	36	23	-	-	-
DISTRICT XI	-	-	-	2	9	2	2	9	2	-	-	-
DISTRICT XII	-	-	-	7	10	-	7	10	-	-	-	-
OTHER AREAS	-	-	-	-	-	-	-	-	-	-	-	-
NIGAL B. M. PROVINCE	-	-	-	9	19	2	9	19	2	-	-	-
DISTRICT XIII	-	1	7	12	3	1	-	-	-	12	4	1
OTHER AREAS	-	-	-	2	2	-	-	-	-	2	2	1
NIGAL B. M. PROVINCE	-	1	-	14	5	1	-	-	-	14	6	2
TOTAL NIGAL B. M. PROVINCE	14	22	91	72	123	42	56	127	131	31	25	4

OMBLASSI
 DISTRICT III, Page 7 of 15
 1955/2316

ESTIMATED COST FOR ONE COUNTRY ELEVATOR - CAPACITY 1,700 TONS.

ELEVATORS	M \$ N.-			U\$S EQUIVALENT U\$S 1.00 = MGN 115		
	LOCAL	IMPORT	TOTAL	LOCAL	IMPORT	TOTAL
Elevator Building	15,498,977	2,735,113	18,234,090	134,773	23,784	158,557
" Machinery	7,970,708	3,416,017	11,386,725	69,311	29,704	99,015
" Electrical	<u>2,535,750</u>	<u>1,086,750</u>	<u>3,622,500</u>	<u>22,050</u>	<u>9,450</u>	<u>31,500</u>
Auxiliary Facilities	26,005,435	7,237,880	<u>33,243,315</u>	226,134	62,938	<u>289,072</u>
Electric Service	905,625	905,625	1,811,250	7,875	7,875	15,750
Water and Sanitary	71,846	12,679	84,525	625	110	735
Site Grading	60,375	-	60,375	525	-	525
Roads	724,500	-	724,500	6,300	-	6,300
Railroads	1,086,750	724,500	1,811,250	9,450	6,300	15,750
Office	256,594	45,281	301,875	2,231	394	2,625
Maintenance Shop	205,275	36,225	241,500	1,785	315	2,100
Employees' Room	174,484	30,791	205,275	1,517	268	1,785
Truck Scale	<u>845,250</u>	<u>362,250</u>	<u>1,207,500</u>	<u>7,350</u>	<u>3,150</u>	<u>10,500</u>
(Without Power Plant or Dryer) Total	4,330,690	2,117,351	<u>6,448,050</u>	37,658	18,412	56,070
Power Plant	30,336,134	9,355,231	<u>39,691,365</u>	263,732	81,350	345,142
(With only Power Plant) Total	1,086,750	4,347,000	<u>5,433,750</u>	9,450	37,800	47,250
Grain Dryer	31,422,884	13,702,231	<u>45,125,115</u>	273,242	119,150	392,392
(With Power Plant and Dryer) Total	459,403	4,134,627	<u>4,594,030</u>	3,995	35,953	39,948
(With Dryer) Only	31,882,287	17,836,858	<u>49,719,145</u>	277,237	155,103	432,340
	30,795,537	13,489,858	<u>44,285,405</u>	267,787	117,363	385,090

UNCLASSIFIED
 ANNEX III, Page 8 of 15
 Exhibit 7

ESTIMATED COST FOR ONE COUNTRY ELEVATOR - CAPACITY 5,200 TONS.

ELEVATORS	M \$ N.-			US\$ EQUIVALENT US\$ 1.00 = M\$N 115		
	LOCAL	IMPORT	TOTAL	LOCAL	IMPORT	TOTAL
Elevator Building	17,822,538	3,145,154	20,967,692	154,979	27,349	182,328
" Machinery	8,711,991	3,733,711	12,445,702	75,756	32,467	108,223
" Electrical	<u>2,704,800</u>	<u>1,159,200</u>	<u>3,864,000</u>	<u>23,520</u>	<u>10,080</u>	<u>33,600</u>
	29,239,329	8,038,065	<u>37,277,394</u>	254,255	69,896	<u>324,151</u>
Auxiliary Facilities						
Electric Service	905,625	905,625	1,811,250	7,875	7,875	15,750
Water and Sanitary	71,846	12,679	84,525	625	110	735
Site Grading	60,375	-	60,375	525	-	525
Roads	724,500	-	724,500	6,300	-	6,300
Railroads	1,086,750	724,500	1,811,250	9,450	6,300	15,750
Office	256,594	45,281	301,845	2,231	394	2,625
Maintenance Shop	205,275	36,225	241,500	1,785	315	2,100
Employees' Room	174,484	30,791	205,275	1,517	268	1,785
Truck Scale	<u>845,250</u>	<u>362,250</u>	<u>1,207,500</u>	<u>7,350</u>	<u>3,150</u>	<u>10,500</u>
(Without Power Plant or Dryer)	4,330,699	2,117,351	<u>6,448,050</u>	37,658	18,412	56,070
Total	33,570,028	10,155,416	43,725,444	291,913	88,308	380,221
Power Plant (With Power Plant only)	<u>1,086,750</u>	<u>4,347,000</u>	<u>5,433,750</u>	<u>9,450</u>	<u>37,800</u>	<u>47,250</u>
Total	34,656,778	14,502,416	49,159,194	301,363	126,108	427,471
Grain Dryer (With Power Plant and Dryer)	<u>591,071</u>	<u>5,319,642</u>	<u>5,910,713</u>	<u>5,140</u>	<u>46,258</u>	<u>51,398</u>
Total	35,247,849	19,822,053	55,069,388	306,503	172,366	478,869
(With Dryer only)	<u>34,161,099</u>	<u>15,475,053</u>	<u>49,635,638</u>	<u>297,053</u>	<u>134,566</u>	<u>431,619</u>

UNCLASSIFIED
ANNEX III,
Exhibit B
pg 9 of 15

ESTIMATED COST FOR ONE COUNTRY ELEVATOR - CAPACITY 9,700 TONS.

ELEVATORS	M \$ N .-			US\$ EQUIVALENT US\$ 1.00 = M\$N 115		
	LOCAL	IMPORT	TOTAL	LOCAL	IMPORT	TOTAL
Elevator Building	24,793,224	4,375,275	29,168,499	215,593	38,046	253,639
" Machinery	9,034,032	3,871,728	12,905,760	78,557	33,667	112,224
" Electrical	<u>3,381,000</u>	<u>1,449,000</u>	<u>4,830,000</u>	<u>29,400</u>	<u>12,600</u>	<u>42,000</u>
	37,208,256	9,696,003	<u>46,904,259</u>	323,550	84,313	<u>407,863</u>
Auxiliary Facilities						
Electric Service	1,026,375	1,026,375	2,052,750	8,925	8,925	17,850
Water and Sanitary	71,846	12,679	84,525	625	110	735
Site Grading	72,450	-	72,450	630	-	630
Roads	754,688	-	154,688	6,562	-	6,562
Railroads	1,086,750	724,500	1,811,250	9,450	6,300	15,750
Office	307,913	54,337	362,250	2,678	472	3,150
Maintenance Shop	230,934	40,753	271,687	201	354	2,363
Employees' Room	195,011	34,414	229,425	1,696	299	1,995
Truck Scale	<u>845,250</u>	<u>362,250</u>	<u>1,207,500</u>	<u>7,350</u>	<u>3,150</u>	<u>10,500</u>
(Without Power Plant or Dryer) Total	4,591,217	2,255,308	6,846,525	39,924	19,611	59,535
	41,799,473	11,951,311	53,750,784	363,474	103,924	467,398
Power Plant (With Power Plant only) Total	1,376,550	5,506,200	6,882,750	11,970	47,880	59,850
Grain Dryer (With Power Plant and Dryer) Total	43,122,023	17,457,511	60,579,534	375,444	157,804	533,248
	676,804	6,091,234	6,768,038	5,835	52,967	58,802
(With Dryer only) Total	43,852,027	23,548,745	67,400,772	381,279	210,771	592,050
	42,476,277	18,042,545	60,518,822	359,359	158,921	518,280

- ESTIMATED COST OF COUNTRY ELEVATOR PROJECT -

Size of elevator	COST EACH		IMPORT EACH U\$S.	N° REQ.	TOTALS		
	M\$N.	U\$S EQUIV.			M\$N.	Equivalent u\$ 1.00 = M\$N 115	Import U\$S.
3,700 T. ELEVATORS							
Elevator Complete	33,243,315	289,072	62,938	87	2,892,168,405	25,249,264	5,475,606
Auxiliary Facilities	6,448,050	56,070	18,412	72	464,253,500	4,037,040	1,325,666
Power Plant	5,433,750	47,250	37,800	61	331,458,750	2,822,250	2,305,000
Grain Dryer	4,594,030	39,948	35,953	56	257,269,680	2,237,088	2,013,368
<u>TOTAL OF 3,700 TON. ELEVATORS</u>					<u>3,945,152,435</u>	<u>34,305,642</u>	<u>11,120,438</u>
5,200 T. ELEVATORS							
Elevator Complete	37,277,394	324,151	69,896	152	5,666,163,888	49,270,952	10,624,192
Auxiliary Facilities	6,448,050	56,070	18,412	123	793,110,150	6,896,610	2,264,676
Power Plant	5,433,750	47,250	37,800	81	440,133,750	3,827,250	3,061,800
Grain Dryer	5,910,713	51,398	46,258	127	750,660,551	6,527,346	5,874,736
<u>TOTAL OF 5,200 TON. ELEVATORS</u>					<u>7,650,068,339</u>	<u>66,522,358</u>	<u>21,825,434</u>
9,700 T. ELEVATORS							
Elevator Complete	46,904,259	407,863	84,313	135	6,332,074,965	55,061,505	11,382,255
Auxiliary Facilities	6,846,525	59,535	19,611	42	287,554,050	2,500,470	823,662
Power Plant	6,882,750	59,850	47,830	25	172,068,750	1,496,250	1,197,000
Grain Dryer	6,768,038	58,852	52,967	131	886,612,978	7,709,612	6,958,677
<u>TOTAL OF 9,700 TON. ELEVATORS</u>					<u>7,678,310,743</u>	<u>66,767,837</u>	<u>20,341,594</u>
3,700 T. ELEVATORS					3,945,152,435	34,305,642	11,120,438
5,200 T. ELEVATORS					7,650,068,339	66,522,358	21,825,434
9,700 T. ELEVATORS					7,678,310,743	66,767,837	20,341,594
<u>TOTAL COST OF COUNTRY ELEVATOR PROJECT</u>					<u>19,273,531,517</u>	<u>167,595,837</u>	<u>53,287,466</u>

Comparison of Benefits and Costs of Farm Bulk Storage
Facilities in Argentina

Kind of Measure	Farm bin capacity (metric tons)		
	150	300	600
A. FOR UNITS WITHOUT DRYERS.			
Projected annual net savings (m\$m).-	109,188	223,413	451,863
Projected average capital investment	388,900	609,900	1,051,900
Measures of direct benefits to costs:			
1. Annual return on investment %	28.1	36.6	43.0
2. Pay-back period (years)	3.6	2.7	2.3
3. Ratio of discounted earnings to cost (at compound interest of 8 %)	2.8	3.6	4.2
B. FOR UNITS WITH DRYERS.			
Projected annual net savings (m\$m).-	116,319	237,675	480,206
Projected average capital investment	607,212	828,212	1,270,212
Measures of direct benefits to costs:			
1. Annual return on investment %	19.2	28.7	37.8
2. Pay-back period (years)	5.2	3.5	2.6
3. Ratio of discounted earnings to cost (at compound interest of 8 %)	1.9	2.8	3.7

Comparison of Benefits and Costs of
Country Elevators in Argentina

Kind of measure	Elevator capacity (metric tons)		
	3,700	5,200	9,700
Projected annual direct income (M\$N).--	6,579,538	9,370,519	17,679,443
Projected average capital investment ^{a/}	45,346,580	50,329,397	56,876,425
Measures of direct benefits to costs:			
1. Annual return on invest- ment (percent)	14:5	18:6	31:1
2. Pay-back period(years)	6.9	5.4	3.2
3. Ratio of discounted earnings to cost (at compound interest of 8 percent)	1.6	2.1	3.5
Annual savings of bulk handling to farmers (M\$N).--	<u>2,402,040</u>	<u>3,375,840</u>	<u>6,297,240</u>
Total tangible economic benefits	8,981,578	12,746,359	23,976,683
Measures of total tangible bene- fits to costs:			
1. Annual return on invest- ment (percent)	19:8	25:3	42:2
2. Pay-back period(years)	5.0	3.9	2.4
3. Ratio of discounted earnings to cost (at compound inte- rest of 8 percent)	2.2	2.9	4.7

^{a/} A weighted average of the total original cost for all elevator in each size group; computed as follows: 3,700-ton. elevators, M\$N 3,945,152,435 ./° 87; 5,200 -ton.elevators, M\$N 7,659,068,339 ./° 152; 9,700-ton. elevators, M\$N 7,678,310,743 ./° 135.--

Computation of Savings to Small Farmers by
Construction of Country Elevators in Argentina

	<u>Pesos per 100 kilograms</u>
Total cost of harvesting in sacks ^{a/}	99.21
Less adjustment ^{b/} for 3-years useful life of sacks	<u>(33.88)</u>
	65.33
Plus adjustment for shrinkage in sacks ^{c/}	<u>4.80</u>
	70.13
Plus adjustment for quality loss in sacks ^{c/}	<u>4.80</u>
Adjusted total cost of harvesting in sacks	<u>74.93</u>
Total cost of harvesting in bulk ^{a/}	16.29
Less storage cost included ^{c/}	<u>(3.00)</u>
	13.29
Plus custom storage charge in country elevator	<u>40.00</u>
Adjusted total cost of bulk harvesting and storage	<u>53.29</u>
Net savings to small farmers of bulk handling	<u>21.64</u>
Total annual net gain to farmers served by each elevator:	<u>M\$N</u>
3,700-ton.elevator(11,100 tons.x 216.4 pesos per ton)	2,402,040
5,200-ton.elevator(15,600 tons.x 216.4 pesos per ton)	3,375,840
9,700-ton.elevator(29,100 tons.x 216.4 pesos per ton)	6,297,240

^{a/} Table 74, page 210 the Agri Research report.

^{b/} At two-thirds the cost of sacks included in the above figure.

^{c/} Table 75, page 211 the Agri Research report.

Projected Annual Savings, Direct Expense and Net
 Direct Savings from Bulk farm Storage Units,-

Type of Income and Expense	Projections for Individual farms with bin Capacities of: (metric tons)		
	150	300	600
Annual volume stored(ton) ^{a/}	225	450	900
Savings from bulk storage(pesos per ton) ^{b/}	616,40	616,40	616,40
Total annual saving(m₳n)	<u>138,690</u>	<u>277,380</u>	<u>554,760</u>
Direct storage costs:			
Fixed storage costs ^{c/}	8,352	11,667	18,297
Variable storage costs ^{d/}	21,150	42,300	84,600
Total direct storage costs	<u>29,502</u>	<u>53,967</u>	<u>102,897</u>
Net savings from bulk storage	<u>109,188</u>	<u>223,413</u>	<u>451,863</u>
Net income from grain drying ^{e/}	<u>7,131</u>	<u>14,262</u>	<u>28,523</u>
Total net income for units with dryer.	<u>116,319</u>	<u>237,675</u>	<u>480,206</u>

- ^{a/} At an average annual turnover of 1.5.-
^{b/} As indicated by the previous table.-
^{c/} For maintenance and repairs; computed at 1.5 percent of the cost of the bin plus 3.0 percent of the cost of the equipment. See table 72, page 206 of the Agri Research report.-
^{d/} At 94.00 pesos per metric ton, including labor, fuel, fumigants; insecticides and shrinkage. See table 73, page 208 of the Agri Research report.-
^{e/} At an estimated level of 126.77 pesos per metric ton above direct drying costs.-

LOAN AUTHORIZATION

Provided from: Alliance for Progress Funds
ARGENTINA - Farm and Country Elevator Grain Storage

Pursuant to the authority vested in the Administrator of the Agency for International Development (A.I.D.) by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder and after consultation with the Development Loan Committee, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, to the Banco de la Nacion of Argentina (Borrower) of not to exceed twenty-one million seven hundred thousand dollars (\$21,700,000) to assist in financing the costs of constructing on-the-farm and country elevator grain storage facilities, this loan to be subject to the following terms and conditions:

1. Interest, Credit Fee and Terms of Repayment.

- (a) The Borrower shall repay the loan to A.I.D. in United States dollars within fifteen (15) years from the first disbursement under the loan, including a grace period of not to exceed five (5) years. The Borrower shall pay to A.I.D. in United States dollars interest at the rate five (5) percent per annum and a credit fee of three-quarters of one (3/4 of 1) percent per annum on the disbursed balance of the loan.
- (b) If prior to the first disbursement under the loan, the Government of Argentina (hereinafter called the "Government") so elects, the Borrower shall fulfill its United States dollar obligation under the loan by paying to the Government the equivalent in the currency of Argentina of the dollar amounts payable to A.I.D. under (a) above and, in such event, the Government shall pay to A.I.D.:
 - (i) the equivalent in United States dollars of all amounts, except interest, paid to the Government by the Borrower, as follows:
 - a. credit fee immediately upon receipt;

~~OFFICIAL USE ONLY~~

ANNEX IV, page 2 of 2

- b. principal within forty (40) years, including a grace period of not to exceed ten (10) years from the date of the first disbursement under the loan;
 - (ii) a credit fee in United States dollars of three-quarters of one ($3/4$ of 1) percent per annum on all amounts of outstanding principal paid by the Borrower to the Government from the respective dates of such payments of principal.
2. Other Terms and Conditions:
- (a) Equipment, materials and services (except shipping and marine insurance) financed under the loan for the Project shall be procured from the United States of America or Argentina.
 - (b) United States dollars utilized under the loan to finance local currency shall be made available to the Borrower or its designee through a Special Letter of Credit and shall be used only for procurement in the United States (excepting marine insurance).
 - (c) The Government of Argentina will covenant that within one year after the first disbursement from the loan funds, for financing the construction of the first country elevator it will establish a modern warehouse system embodying a plan for storing grain for the account of private individuals or grain merchants and the issuance of warehousing receipts.
 - (d) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Administrator

Date

~~OFFICIAL USE ONLY~~

~~CONFIDENTIAL~~
(When with ANNEX I)

~~CONFIDENTIAL~~
(When with ANNEX I)