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A.I.D. Loan 511-T-053

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A G R I C U L T U R A L S E C T O R

Date: April 24, 1975

LOAN AGREEMENT dated April 24, 1975 between the Government of Bolivia ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend to the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, an amount not to exceed NINE MILLION, TWO HUNDRED THOUSAND UNITED STATES DOLLARS (US\$9,200,000) ("Loan") to assist the Borrower in carrying out the Project referred to in Section 1.02 ("Project"). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Project ("Dollar Costs") and Peso Boliviano costs of goods and services required for the Project ("Peso Boliviano Costs"). The Aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Loan will assist the Borrower in a Project designed to improve the production by small farmers of basic food crops and livestock in selected geographic areas of Bolivia. The Project will, by conducting feasibility studies, constructing facilities, and providing credit, training, technical assistance, equipment and materials, seek to:

- (i) improve agricultural sector management;
- (ii) enhance technological development;
- (iii) attend to the credit needs of small farmers; and
- (iv) accelerate agricultural training and education.

The Project is more fully described in Annex I attached hereto, which Annex may be modified in writing by agreement of the parties.

SECTION 1.03. Use of Funds Generated by Other United States Assistance. The Borrower shall use for the Project, in lieu of any United States dollars that would otherwise be disbursed under the Loan to finance the Peso Boliviano Costs of the Project, any currencies other than United States dollars that may become available to the Borrower after the date of this Agreement in connection with assistance (other than the Loan) provided by the United States of America to the Borrower to the extent and for the purposes that A.I.D. and the Borrower may agree in writing. Any such funds used for the Project shall reduce the amount of the Loan (to the extent that it shall not have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between A.I.D. and the Borrower as to the use of such funds, at the rate of exchange defined in Section 7.03.

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal. In case of delay in the payment of interest, the Borrower will also pay to A.I.D. a penalty on any due and unpaid interest at the rate of three percent (3%) per annum computed on the basis of a 365 day year. Interest on the outstanding balance of Principal shall accrue from the date of each respective disbursement (as such date is defined in Section 7.05) and shall be computed on the basis of a 365-day year. Interest shall be payable semiannually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty-one (61) approximately equal semi-annual installments of Principal and interest. The first installment of Principal shall be payable nine and one half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final dis-

bursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Washington, D.C. 20523, Attention Cashier SA 12, and shall be deemed made when received by the Office of the Cashier.

SECTION 2.04. Prepayment. Upon payment of all interest, Principal and refunds then due, the Borrower may prepay, without any other charges, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. The Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the Government of Bolivia.

ARTICLE III

Conditions Precedent to DisbursementSECTION 3.01. Conditions Precedent to Initial Disbursement.

Prior to the first disbursement or to the issuance of any commitment documents under the Loan, the Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of the Fiscal de Gobierno de Bolivia or other counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;

(b) A statement of the name of the person holding or acting in the office of the Borrower, specified in Section 9.02 and a specimen signature of the person specified in that statement, appropriately certified as to its authenticity;

(c) A description of the procedures and necessary legal actions that Borrower will undertake to make effective the tax provisions of Section 4.05 of this Agreement with respect to the Project financed by the Loan as well as any other project financed by a grant from the United States in conjunction with this Project;

(d) A budgetary plan which shall provide during the life of the Project for increases in the level of support to the agriculture sector in order to increase salaries of existing personnel, hire new personnel, provide timely and adequate local currency contributions to the

Project, pay operational expenses of the Project, and allocate more funds for field activities directly benefitting small farmers;

(e) Evidence of agreements between the Ministry of Agriculture and Campesino Affairs ("MACAG"), and the National Community Development Service ("NCDS"), the Bolivian Agricultural Bank ("BAB"), and the universities in Cochabamba and Santa Cruz, which agreements shall set forth the respective roles, responsibilities, and contributions to the Project of each of the last four institutions mentioned;

(f) Evidence of a Supreme Decree establishing a separate supervised agricultural credit fund ("Credit Fund") within the BAB for the benefit of small farmers in the Project area; the Borrower shall also present a plan for maintaining at all times the capitalization of the Credit Fund at a level at least equivalent in pesos bolivianos to the dollars disbursed under the Loan for the Credit Fund;

(g) Evidence of the design and establishment of an adequate system of accounting, budgeting and auditing within the MACAG.

SECTION 3.02. Conditions Precedent to Disbursement for Purposes other than Financing Consulting Engineering, Design and Technical Assistance Services. Prior to the disbursement or issuance of any commitment documents under the Loan for any purpose other than to finance consulting engineering, design, and technical assistance services, the Borrower shall submit to A.I.D., in form and substance satisfactory to A.I.D.:

(a) A time-phased implementation plan for the Project utilizing

the PERT or Critical Path method and showing the interrelation between, and the relative priority of, the discrete components and activities of the Project as described in Annex I attached hereto;

(b) A time-phased plan to reorganize and strengthen the public services within the agriculture sector, which plan shall be designed to eliminate duplicative efforts by, and improve the operational efficiency of, the agencies executing the Project;

(c) With regard to disbursements for any of the individual activities described in Annex I, a time-phased implementation and evaluation plan for the activity; the plan submitted for the activity shall complement the Project plan referred to in subsection (a) of this Section and shall be required before any financing for the activity may be provided hereunder for other than consulting engineering, design, and technical assistance services;

(d) A time-phased training plan for upgrading the professional and technical capabilities of GOB personnel associated with the Project and of members of the faculties of the agriculture schools of the universities in Cochabamba and Santa Cruz associated with the Project;

(e) A time-phased plan for increasing salaries for professional and technical personnel in the MACAG to levels comparable with other public agencies by January 1, 1976, and for increasing salaries of senior scientists (those with Masters and PhDs) in phases to levels substantially competitive with the international job market by January 1, 1978;

(f) A plan to develop a system to analyze on a continuing basis the various governmental policies affecting agricultural production, e.g., agriculture price policies, taxation, etc.

SECTION 3.03. Terminal Dates for Meeting Conditions Precedent to Disbursement.

(a) If all the conditions specified in Section 3.01 shall not have been met within 120 days of the signing of this Agreement, or such later date as Borrower and AID may agree to in writing, AID, at its option, may terminate this Agreement by giving written notice to the Borrower. Upon giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

(b) If all the conditions specified in Section 3.02 shall not have been met within 180 days of the signing of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the amount of the Loan and/or may terminate this Agreement by giving written notice to the Borrower. In the event of a termination, upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.04. Notification of Meeting Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower in writing when the conditions precedent to disbursement specified in Section 3.01 and 3.02 of this Loan Agreement have been met.

ARTICLE IV

General Covenants and WarrantiesSECTION 4.01. Execution of the Project

(a) The Borrower shall carry out the Project with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices. In this connection the Borrower will assure that suitably qualified and experienced consultants and construction contractors will be employed for the Project.

(b) The Borrower shall cause the Project to be carried out in conformity with all of the plans, specifications, regulations, contracts, schedules, and other arrangements, and with all modifications therein, approved by A.I.D. pursuant to this Agreement.

(c) Borrower shall seek to minimize any harmful effects upon the natural environment which might be caused by any proposed activity under the Project.

SECTION 4.02. Funds and Other Resources to be Provided by the Borrower. Besides the contribution of the Borrower stated in Section 5.01 hereof, the Borrower shall provide promptly as needed all funds, in addition to the Loan, and all resources required for the punctual and effective carrying out and maintenance of the Project.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purposes of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Project, the perfor-

mance by the parties to this Agreement of their obligations under this Agreement, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall cause to be provided qualified and experienced management for the Project and shall cause to be trained such staff as may be appropriate for the successful implementation of the Project.

SECTION 4.05. Taxation. This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from, and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the Republic of Bolivia. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contract and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in Bolivia, Borrower shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.06. Utilization of Goods and Services.

(a) Goods and services financed under the Loan shall be used exclusively for the Project, except as Borrower and A.I.D. may otherwise agree in writing.

(b) Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist

any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use.

SECTION 4.07. Disclosure of Material Facts and Circumstances.

The parties represent and warrant that they have disclosed all facts and circumstances that might materially affect the Project and the discharge of their obligations under this Agreement. The parties agree to advise each other of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of their obligations under this Agreement.

SECTION 4.08. Commissions, Fees and Other Payments.

(a) The parties warrant and covenant that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, they have not paid, and will not pay or agree to pay, nor to the best of their knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity, commissions, fees, or other payments any kind, except as regular compensation to the Borrower's full time officers and employees or as compensation for bona fide professional, technical, or comparable services. The parties agree to advise each other of any payment or agreement to pay for such bona fide professional, technical, or comparable services to which they are a party or of which they have knowledge (indicating whether such payment has been made or is to be made on a

contingent basis). If the amount of any such payment is deemed unreasonable by A.I.D. the same shall be adjusted in a manner satisfactory to the Borrower and A.I.D.

(b) The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the Republic of Bolivia.

SECTION 4.09. Maintenance and Audit of Records. The Borrower shall maintain or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Project and to this Agreement. Such books and records shall without limitation, be adequate to show:

- (a) The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;
- (b) The nature and extent of solicitations of prospective suppliers of goods and services acquired;
- (c) The basis of the award of contracts and orders to successful bidders; and
- (d) The progress of the Project.

Such books and records shall be regularly audited by auditors acceptable to A.I.D. in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement

by A.I.D. or until all sums due A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.10. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and the Project as A.I.D. may request.

SECTION 4.11. Inspection. The authorized representative of A.I.D. shall have the right at all reasonable times to inspect the Project, the utilization of all goods and services financed under the Loan, and the books, records, and other documents of the Borrower or any of its constituent agencies relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the Republic of Bolivia for any purpose relating to the Loan.

SECTION 4.12. Investment Guaranty Project Approval by Borrower. The construction work to be financed under this Agreement is hereby stated to be a project approved by the Government of Bolivia pursuant to the Agreement between the Government of Bolivia and the Government of the United States of America on the subject of investment guaranties, and no further approval by the Government of Bolivia shall be required to permit the United States to issue investment guaranties under that agreement covering a contractor's investment in that project.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Borrower's Contribution. The Borrower covenants to provide as its contribution to the Project the peso equivalent of at least five million, six hundred fifty thousand dollars (\$5,650,000), except as AID may otherwise agree in writing.

SECTION 5.02. Annual Reviews. The Borrower agrees to review with A.I.D. annually the progress of the Project using the logical framework developed therefor and the Plans developed pursuant to subsections 3.02 (a) and (c) and to review all other plans required to be submitted to A.I.D. in connection with the Project.

SECTION 5.03. Continuing Budget Support. The Borrower agrees to maintain, both during and after the disbursement period of the Loan, the increased levels of support to the agriculture sector indicated in the plan submitted pursuant to subsection 3.01 (d) hereof.

SECTION 5.04. Other Support. The Borrower will provide on a timely basis adequate staff and financial support to the MACAG's Agricultural Statistics and Planning Offices, Research and Extension Services, and Adult Education Units attached to Agricultural Service Centers, as well as to other offices and institutions associated with the Project.

SECTION 5.05. Price Policies. The Borrower agrees to develop price policies which will provide small farmers with incentives to increase production. In establishing such policies, Borrower shall

consider the costs to such farmers for needed investments, seeds, fertilizers, pesticides, and materials, as well as the cost of credit.

SECTION 5.06. Credit Fund Relending Rates. Except as A.I.D. may otherwise agree in writing, the total of interest and other fees on subloans made from the Credit Fund shall be at the rate of thirteen percent (13%) per annum.

SECTION 5.07. Coordination with Other Ministries. The Borrower agrees to coordinate with the Ministries of Education and Health those Project components and activities which bear on rural education and public health measures in the Project area.

ARTICLE VI

ProcurementSECTION 6.01. Procurement from Selected Free World Countries.

Except as the Borrower and A.I.D. may otherwise agree in writing, and except as provided in subsection 6.08 (c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Project of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such goods and services ("Selected Free World Goods and Services"). Notwithstanding any other provisions hereunder, when motor vehicles are to be procured with loan funds they must be manufactured in the United States. All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

SECTION 6.02. Procurement from the Republic of Bolivia. Except as A.I.D. may otherwise agree in writing, Peso Boliviano disbursements made pursuant to Section 7.02 and Section 7.04 shall be used exclusively to finance the procurement for the Project of goods and services having both their source and origin in the Republic of Bolivia.

SECTION 6.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed

or entered into prior to the date of this Agreement.

SECTION 6.04. Goods and Services Not Financed Under the Loan.

Goods and services procured for the Project, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.05. Implementation of Procurement Requirements.

The definitions applicable to the eligibility requirements of Sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.

SECTION 6.06. Plans, Specifications and Contracts.

(a) Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation all plans, specifications, construction schedules, bid documents, and contracts relating to the Project, and any modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

(b) Except as A.I.D. may otherwise agree in writing, all of the plans, specifications and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

(c) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by A.I.D. in writing prior to their issuance.

(d) The following contracts financed under the Loan shall be approved by A.I.D. in writing prior to their execution:

- (i) contracts for engineering and other professional services;
- (ii) contracts for construction services;
- (iii) contracts for such other services as A.I.D. may specify;

and

- (iv) contracts for such equipment and materials as A.I.D. may specify.

In the case of any of the above contracts for services, A.I.D. shall also approve in writing the contractor and such contractor personnel as A.I.D. may specify. Material modifications in any of such contracts and changes in any of such personnel shall also be approved by A.I.D. prior to their becoming effective.

(e) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

SECTION 6.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.08. Shipping and Insurance.

(a) Selected Free World Goods financed under the Loan shall be

transported to the Republic of Bolivia on flag carriers of any country included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

(b) Unless A.I.D. shall determine that privately owned United States flag commercial vessels are not available at fair and reasonable rates for such vessels:

(i) at least fifty percent (50%) of the gross tonnage of Selected Free World goods financed under the Loan and transported on ocean vessels from United States ports (computed separately for dry bulk carriers, dry cargo liners, and tankers) shall be transported on privately owned United States flag commercial vessels; and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World goods financed under the Loan and transported on dry cargo liners from United States ports shall be paid to or for the benefit of privately-owned United States flag commercial vessels; and

(ii) at least fifty percent (50%) of the gross tonnage of all Selected Free World goods financed under the Loan and transported on ocean vessels from non-United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately owned United States flag commercial vessels, and at least fifty percent (50%) of the gross freight revenue generated by ocean shipments of Selected Free World goods financed under the Loan and transported on dry cargo liners from non-United States ports shall be paid to or for the benefit of privately owned United States

flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) which (i) A.I.D. in a notice to the Borrower, has designated as ineligible to carry A.I.D. financed goods or (ii) has been chartered for the carriage of A.I.D. financed goods unless such charter has been approved by A.I.D.

(c) Marine insurance on Selected Free World goods may be financed under the Loan with disbursements made pursuant to Section 7.01, provided (i) such insurance is placed at the lowest available competitive rate in the Republic of Bolivia or in a country included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the Republic of Bolivia, by statute, decree, rule or regulation favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Selected Free World goods financed under the Loan, shall during the continuance of such discrimination be insured against marine risks in the United States of America with a company or companies authorized to do marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all Selected Free World goods financed under the Loan against risks incident to their transit to the point of their use in the Project.

Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which such goods were financed or in any freely convertible currency. Any indemnification received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacement shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.09. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters. The Borrower may also simultaneously provide such procurement data to firms in other eligible countries.

SECTION 6.10. Information and Marking. Borrower shall give publicity to the Loan and the Project as a joint Republic of Bolivia-United States undertaking in furtherance of the Alliance for Progress and shall identify the Project sites and mark goods financed under the Loan as prescribed in Implementation Letters.

SECTION 6.11. United States Government-Owned Excess Property.

The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-owned Excess Property as may be consistent with the requirements of the Project and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The costs of inspections and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than Excess Property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Project.

SECTION 6.12. Procurement of Engineering and Professional Services. Engineering and other professional services financed under the Loan may be procured from the United States, Bolivia, or other Code 941 countries. These services may also be procured from joint ventures made up of firms from any of the above countries. However,

there shall be no requirement, either as to acceptance of proposals or award of contracts, that any firm otherwise eligible must associate itself with any other firm of whatever nationality.

SECTION 6.13. Employment of Non-Selected Free World Nationals Under Construction Contracts. The employment of personnel to perform services under any construction contract financed under the Loan shall be subject to certain requirements with respect to nationals of countries other than the Republic of Bolivia and countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time the construction contract is entered into. These requirements will be prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs -- Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. United States banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 7.02. Disbursements for Peso Boliviano Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of Pesos Bolivianos for Peso Boliviano costs of goods and services procured for the Project in accordance with the terms and conditions of this Agreement by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Implementation Letters. A.I.D. shall make such disbursements from

Pesos Bolivianos owned by the U.S. Government and obtained by A.I.D. with United States dollars. The United States dollar equivalent of the Pesos Bolivianos made available hereunder will be the amount of United States dollars required by A.I.D. to obtain the Pesos Bolivianos.

SECTION 7.03. Exchange Rate. The rate of exchange to be used hereunder in any instance where conversion of United States dollars to Pesos Bolivianos, or vice-versa, is required shall be that official rate of exchange which on the date of such conversion will yield the largest number of pesos per dollar.

SECTION 7.04. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.05. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 7.02, on the date on which A.I.D. disburses the Pesos Bolivianos to the Borrower or its designee.

SECTION 7.06. Terminal Date for Disbursement. Except as Borrower and A.I.D. may otherwise agree in writing, no Letter of Commitment, or other commitment documents which may be called for by another form of disbursement under Section 7.04, or amendment thereto, shall be issued in response to requests received by A.I.D. after 45 months

from the date the conditions precedent to initial disbursement hereunder are met, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after 48 months from the date the conditions precedent to initial disbursement are met. A.I.D. at its option, may, at any time, or times after 48 months from the date the conditions precedent to initial disbursement are met, reduce the Loan by all or any part thereof for which documentation was not received by such date.

ARTICLE VIII

Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice, A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default: Acceleration. If any one or more of the following events ("Events of Default") shall occur:

- (a) The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement;
- (b) The Borrower or any of its constituent agencies or entities shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Project with due efficiency;
- (c) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies; then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and unless the Event of Default is cured

within such sixty (60) days:

(i) such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and

(ii) the amount of any further disbursements made under outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

(a) An event of Default has occurred;

(b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower or any of its constituent agencies or entities will be able to perform its obligations under this Agreement;

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

(d) The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, or any other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies; then A.I.D. may, at its option:

(i) suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than

under irrevocable Letters of Credit, in which event A.I.D. shall give notice to the Borrower promptly thereafter;

(ii) decline to make disbursement other than under outstanding commitment documents;

(iii) decline to issue additional commitment documents;

(iv) at A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the Republic of Bolivia, are in a deliverable state and have not been off-loaded in the Republic of Bolivia or in such ports outside of Bolivia where, pursuant to international agreements, such goods became Bolivian property. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursement pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter, cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration of repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

(a) In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D., within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Project hereunder, to the extent justified; the remainder, if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five (5) years following the date of such disbursement.

(b) In the event that A.I.D. receives a refund from any contractor, supplier, or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods or services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services

procured for the Project hereunder, to the extent justified; the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Non-waiver of Remedies. No delay in exercising or omission to exercise any right, power or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers, or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document or other communication given, made, or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegram, cable or radiogram at the following addresses:

TO BORROWER:

Mail Address: Ministry of Finance
La Paz, Bolivia

Cable Address: MINFINANZAS
La Paz, Bolivia

TO A.I.D. :

Mail Address: United States AID Mission to Bolivia
c/o United States Embassy
La Paz, Bolivia

Cable Address: USAID, AmEmbassy
La Paz, Bolivia

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall be in English except as A.I.D. may otherwise agree in the first implementation letter.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of the Minister of Finance and A.I.D.

will be represented by the individual holding or acting in the office of Director, USAID/Bolivia. Such representatives shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported by such legal opinions as A.I.D. may reasonably request.

SECTION 9.05. Controlling Language. In cases of ambiguity or conflict between the English and Spanish versions of this Loan Agreement the English version shall control.

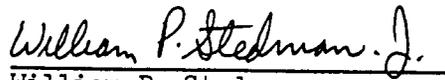
SECTION 9.06. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

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

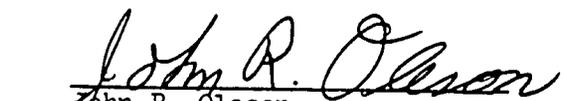
THE GOVERNMENT OF BOLIVIA

UNITED STATES OF AMERICA


 Col. Victor Castillo Suárez
 Minister of Finance


 William P. Stedman
 Ambassador


 Lt. Col. Alberto Natusch Busch
 Minister of Rural Affairs
 and Agriculture


 John R. Oleson
 Director USAID/Bolivia



ANNEX I

PROJECT DESCRIPTION

PURPOSE: The specific purposes of the Agriculture Sector I Loan Project are: (1) to develop improved technologies and more modern management practices relevant to the small farm operators of the valleys of central Bolivia and the newly developing agricultural areas of the lowlands of eastern Bolivia (see Map, Annex II); (2) to extend to these small farm operators improved technologies and more modern management practices; (3) to broaden the availability of and assure the target small farmer of improved access to needed inputs, information, financing, and markets; and (4) to develop the capacity of the Ministry of Campesino Affairs and Agriculture's Offices of Economics and Statistics and Planning to generate basic data, analyze problems and opportunities, and formulate and implement coordinated policies and programs for the sector.

USE OF AID LOAN ASSISTANCE: To achieve the purposes of the Project, the following components and activities will be financed from Loan funds:

1. Improved Sector Management - This component is composed of two activities. First, the Project will develop a new, more complete series of agriculture production and marketing statistics within the MACAG's Division of Economic and Marketing Studies. This division also will assume part of the marketing data collection activities currently being carried out by the Ministry of Industry and Commerce.

By employing improved communications with the MACAG regional and field offices, the division will improve the quality of MACAG data and the timeliness of their release, expand crop coverage, initiate crop production forecasts in the major commodities, and expand the currently limited analysis of crop production costs. Concurrently, timely marketing situation and pricing surveys, covering both product and input markets, will be conducted on a periodic basis; and the appropriate data will be disseminated in a timely fashion to local producers and marketing elements. While this activity will be national in scope, priority will be assigned to the target crops (basic grains, oilseeds, vegetable crops and animal proteins) and groups addressed by the Project.

Second, the Project will assist in the expansion and improvement of the MACAG's sector analysis and planning unit's capacity. An intensive in-service and academic training program will be undertaken for upgrading MACAG employees to the MS level. The strengthened unit will undertake (i) short and long-term planning exercises; (ii) project analysis and evaluation; (iii) greater policy analysis; (iv) coordination of external donor assistance, and (v) special studies. These results will be provided to CONEPLAN for use in global GCB planning and coordination.

2. Technological Development and Extension - This component is composed of four interrelated activities: agricultural research and extension, seed improvement and marketing development. The Project

will seek to strengthen agricultural research and extension services and to expand the use of modern production factors, principally through a strengthening, expansion and decentralization of essential public services to the target small farmer. This will involve the creation of three units in the Departments of Cochabamba, Sucre and Santa Cruz, organized administratively into MACAG "Agricultural Service Centers" (ASCs). These ASCs will draw upon and coordinate the MACAG's related research and extension services and semi-autonomous public agencies, i.e. the Bolivian Agriculture Bank (BAB), National Community Development Service (NCDS), National Colonization Institute (INC), as well as the agriculture departments of the universities in Cochabamba and Santa Cruz. These centers will focus on the development of crop-specific, small-farm level technologies to be disseminated via an integrated delivery system consisting of an expanded extension and campesino training program, new credit resources, some limited assistance to cooperative organizations, market and price information services, and an expanded seed improvement program. Two centers will be provided with seed selection and improvement facilities related to the target crops. This seed would be for sale to the small farm sector.

3. Agricultural Credit - This component of the Project principally involves the establishment of a revolving credit fund designed to meet the short and intermediate-term production credit requirements of the target small farmer. This credit will be made available to groups of small farmers (e.g. grupos notariados) as well as to individual borrowers. This credit fund will finance (i) sub-loans for

annual production inputs which will be matured shortly after the time crops financed are harvested; and (ii) sub-loans for improvements, machinery, equipment, and livestock which will be matured on an annual schedule in line with repayment capability not to exceed five years. The BAB will make these sub-loans and bear the credit risk. It will rely on local credit committees, which will include agriculture extensionists, cooperative agents of NCDS, and local community leaders for assistance in establishing regional operational guidelines and for guidance in credit decisions. Interest rates, subject to annual review and joint GOB/USAID concurrence prior to the initiation of each annual crop year, will be 13% per year. Sub-loan interest will be utilized to (i) cover administrative costs of disbursing, collecting and accounting for sub-loans, (ii) further capitalize the fund, and (iii) establish a bad debt reserve.

4. Agriculture Education and Training - This component of the Project is composed of two activities. Improved university instruction relates to the need to improve the quality of agricultural graduates from the Bolivian university system so that they can successfully fill sector career positions in the fields of research, extension, and planning. The two principal universities with agricultural facilities (Cochabamba and Santa Cruz) are within the target area of the Project, and should increase their involvement in the expansion of agricultural research. For these universities to become more useful to the sector program, they will need to expand

their agricultural curriculum to include new courses in farm management, credit, marketing, etc., and to improve the quality of their instruction in the plant and animal sciences. Loan funds for both short and long-term training are designed to initiate a faculty training program specifically related to both the immediate and larger range objectives of the Project.

The campesino training activity involves extensive agriculture-oriented adult education and training directed at both sexes within the small farmer target group. This adult education program, related to production and marketing technology, will form an integral part of each of the three ASC's extension activities. Each of the ASCs will have at least one principal adult education facility located at its principal research station. These facilities will provide one and two week courses in target crops and livestock production technologies, agriculture credit, farm management, marketing, cooperative development, etc. Instructors will be drawn not only from the MACAG's research and extension services but also from other appropriate sources such as the NCDS, BAB, etc. The activity also will be implemented by one mobile team per region whose activities-in large part - will be designed to facilitate extension of the programs designed primarily for village level presentation and to facilitate delivery of related women's programs. Coordination with NCDS's community and cooperative development training programs and the outreach programs of rural nucleo schools will be accomplished through the periodic joint planning sessions at the regional ASCs with the related institutions.

A.I.D. GRANT ASSISTANCE: Besides the A.I.D. Loan described above, a complementary AID grant estimated at \$4.6 million will be provided. This grant will finance approximately twelve long term technicians in the fields of Agronomy, Agriculture Economics, Research, Extension, and Resettlement. The purpose of these technicians is to support the various components and activities under the Project. Some grant funds will also be employed to purchase commodities for the support of the contractor personnel and to finance participant training of MACAG personnel presently in training status. The amounts and uses of the AID grant funds shall be set forth in related Project agreements, subject to the mutual agreement of AID and the Government of Bolivia and the availability of funding.

BORROWER CONTRIBUTION: Besides providing all needed salary costs for the personnel as well as basic operational expenses of the various governmental agencies involved in the Project, the Borrower shall provide the following contributions:

1. University Salaries - Salary supplements will be provided to the agricultural faculties at the universities of Santa Cruz and Cochabamba;
2. Loan Capital - Additional capitalization will be provided to the Revolving Credit Fund to be established for small farm operators in the Project area;
3. Seed Fund Capital - An increase in the capitalization of the Fondo Rotativo de Semilla will be provided which will be used to finance seed multiplication activities; and
4. Finance Feasibility Studies - Funding will be provided to finance studies aimed at determining the feasibility of various

types of investment in the agriculture sector.

FINANCIAL PLAN: Project components and activities for which AID Loan and Borrower financing will be provided are illustrated below:

Project Components/Activities	APPROXIMATE (US\$000)			TOTAL
	AID	LOAN	GOB CONTRIB.	
1. Improved Sector Management	600		800	1,400
A. Ag. Data & Mktg. Info.	325		500	
B. Policy & Planning	275		300	
2. Technological Dev.	3,550		2,750	6,300
A. Ag. Research	1,705		1,300	
B. Ag. Extension	1,195		850	
C. Seed Improvement	400		500	
D. Feasibility Studies	250		100	
3. Agricultural Credit	4,400		1,650	6,050
A. Loan Capital	4,000		1,000	
B. Other	400		650	
4. Agricultural Education	650		450	1,100
A. Improved Univ. Inst.	200		50	
B. Campesino Training	450		400	
T O T A L	9,200		5,650	14,850

More specifically, A.I.D. Loan and Borrower funds will be employed to finance the following Project Inputs:

PROJECT INPUTS	APPROXIMATE (US\$000)			TOTAL
	AID	LOAN	GOB CONTRIB.	
a. Equip. & Materials	1,340		-	1,340
b. Vehicles	675		-	675
c. Salaries and Op. Exp.	-		4,350	4,350
d. Participant Training	1,000		-	1,000
e. Tech. Assistance *	565		-	565
f. Construction & Eng.	1,370		-	1,370
g. Loan Capital	4,000		1,000	5,000
h. Seed Multip. Fund	-		200	200
i. Feasibility Studies	250		100	350
T O T A L	9,200		5,650	14,850

* Approximately 113 Man Months

BOLIVIA

AREAS OF INFLUENCE OF SECTOR PROGRAM (3 Service Centers)

