

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR (LAC)

FROM: LAC/DR, Marshall D. Brown

Problem: To amend the Project Authorization and Request for Allotment of Funds (PAF) for the Bolivia Rural Health Delivery System Project to extend the period for loan repayment from 30 years to 40 years.

Discussion: On November 8, 1978, the Deputy Administrator authorized the \$13.3 million Rural Health Delivery System project (\$10.0 million in loan funds and \$3.3 million in grant funds) for Bolivia. The Project will extend, improve, and support health services available to the rural poor in the Departments of Potosi, Santa Cruz, and La Paz, and introduce administrative improvements and reforms in the Ministry of Social Welfare and Public Health.

The terms of repayment of the AID loan specified in the PAF call for repayment of principal within thirty years from the date of first disbursement of the loan, including a ten year grace period. Interest is to be paid at a rate of two percent per annum during the grace period and three percent per annum thereafter. However, the 1979 Appropriations bill provides that loan repayment terms should be established on the basis of per capita gross national product. Bolivia is one of the countries in the LAC Region that is eligible for AID's most concessional terms which permit a forty year loan repayment period. USAID/Bolivia therefore has requested that the PAF be amended to extend the repayment period to forty years. No change is required in the interest rate to conform to AID's most concessional terms.

It has been determined that the proposed amendment does not constitute a substantive amendment to the PAF and therefore you have the authority to approve the change in loan repayment terms.

Recommendation: That you sign the attached Amendment to the Project Authorization and Request for Allotment of Funds.

Attachment: TAB A - State 022627
TAB B - PAF Amendment

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ASSISTANT
ADMINISTRATOR

PROJECT AUTHORIZATION AND REQUEST FOR ALLOTMENT OF FUNDS

(Amendment No. 2)

Name of Country: Bolivia
Name of Project: Rural Health Delivery System
Project Number: 511-0483
Loan Number: 511-U-063

Pursuant to the authority vested in me as Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended, I hereby amend the Project Authorization and Request for Allotment of Funds dated November 8, 1978, and amended January 11, 1979 (hereinafter, as so amended, the "PAF"), which authorized a loan and a grant to the Republic of Bolivia for a Rural Health Delivery System project, as follows:

1. Section A of the PAF is hereby amended by deleting "thirty (30)" therefrom and by substituting "forty (40)" in lieu thereof.
2. Except as expressly modified and amended hereby, the PAF remains in full force and effect.

Edward W. Brown
Assistant Administrator
Bureau for Latin America and
the Caribbean

Feb 8 1979
Date

Clearances:

GC/LAC, JLKessler JK Date 2/7/79
LAC/SA, RBurke RB Date 2/7/79
LAC/DR, TBrown TB Date 2/7/79
LAC/DR, MBrown MB Date 2/7/79

DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

ASSISTANT
ADMINISTRATOR

GUARANTY AUTHORIZATION

Provided From: FAA Section 222A
Costa Rica: Productive Credit
Guaranty Program

Pursuant to the authority vested in me as Assistant Administrator, Bureau for Latin America and the Caribbean, by the Foreign Assistance Act of 1961, as amended (the "Act"), and the delegations of authority issued thereunder, I hereby authorize the issuance of a guaranty in an amount not to exceed Three Million United States Dollars (\$3,000,000) or such other amount as may be determined in accordance with Section VIII hereof ("Guaranty") to certain lending institutions in the Republic of Costa Rica (the "Participating Institutions"). I hereby authorize the negotiation and execution of the Guaranty Project Agreement by the officer to whom such authority has been delegated in accordance with A.I.D. regulations and Delegations of Authority, subject to the following essential terms and covenants and major conditions, together with such other terms and conditions as A.I.D. may deem appropriate:

I. Administration

- A. A.I.D., the Banco Central de Costa Rica (the "Administrator") and the Participating Institutions shall enter into a Guaranty Project Agreement which shall set forth the respective obligations of A.I.D., the Administrator and the Participating Institutions with respect to the administration and implementation of a pilot productive credit guaranty project (the "Project") within the Productive Credit Guaranty Program authorized under Section 222A of the Act.
- B. The Administrator shall establish the administrative capacity to manage the financial facility (the "PCGP Fund") established by A.I.D. for the purpose of repaying certain specified loans ("Eligible Loans") made by Participating Institutions, on which Eligible Loans default has occurred. The Administrator shall establish an accounting system for the PCGP Fund which shall record all transactions and all assets and liabilities of the PCGP Fund, A.I.D., the Administrator and the Participating Institutions.

II. Period of Eligibility

In the absence of written objection by A.I.D. to the Administrator with respect to any proposed Participating

Institution, the Guaranty authorized herein shall be applicable to Eligible Loans made by any Participating Institution subsequent to the date that the Administrator notifies A.I.D. that such Participating Institution has met the criteria for eligibility set forth in the Guaranty Project Agreement (the "Commencement Date"), but shall not be applicable to loans made after September 30, 1984, or such other date to which A.I.D. may otherwise agree in writing.

III. Payments by A.I.D.

Upon a showing by the Administrator that the resources of the PCGP Fund have been totally depleted pursuant to the Project, A.I.D. shall pay to each Participating Institution, pursuant to the Guaranty, an amount equal to seventy-five percent (75%) of the outstanding principal balance of each Eligible Loan made by such Participating Institution on which a default has occurred plus the normal interest accrued thereon during no more than the first one hundred eighty (180) calendar days, or such shorter period to which A.I.D. may agree, following the date on which the default occurred; provided, however, that with respect to Eligible Loans made in each discrete calendar year by any Participating Institution, the aggregate of the payments made by A.I.D. shall not exceed fifty percent (50%) of the outstanding principal amount of all Eligible Loans made during such year by such Participating Institution, calculated as of the last day of each applicable default period.

IV. Commission and Fees

Each Eligible Borrower shall pay to the PCGP Fund, through the Participating Institution making an Eligible Loan to such Eligible Borrower under the Project, a one-time guaranty commission in an amount not to exceed five percent (5%) of the amount of such Eligible Loan. The Administrator shall pay to A.I.D. in local currency, on the last day of each month, a one-time guaranty fee in an amount equal to .25 percent (1/4 of 1%) of the original principal amount of each Eligible Loan made during such month.

V. Term of a Loan

Except as A.I.D. may otherwise agree in writing, the term of loans to which the Guaranty authorized herein shall be applicable shall not exceed ten (10) years.

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VI. Conditions Precedent

- A. Prior to the Guaranty being applicable to any loan made by a Participating Institution, the Administrator shall submit to A.I.D., in form and substance satisfactory to A.I.D., the following, except as A.I.D. may otherwise agree in writing:
- (1) An opinion from the Legal Office of the Administrator stating that (a) the Guaranty Project Agreement has been duly authorized and/or ratified by and executed on behalf of the Administrator and of the Participating Institutions, and that it constitutes a valid and legally binding obligation of the Administrator and the Participating Institutions in accordance with all of its terms, and (b) that, upon the authorization and execution of a Guaranty Contract by any Participating Institution, such Guaranty Contract will constitute a valid and legally binding obligation of such Participating Institution in accordance with all of its terms and will have the same effect as if such Participating Institution had executed the Guaranty Project Agreement;
 - (2) A statement of the names of the persons in charge of the administration of the PCGP Fund and the specimen signatures of the persons named in that statement, appropriately certified as to their authenticity;
 - (3) A standard form for the Guaranty Contract between the Administrator and each Participating Institution which joins the system after the date of the Guaranty Project Agreement;
 - (4) A copy of the Operating Handbook for the Administrator, the Operating Handbook for the Participating Institutions, and the Operating Handbook for the Technical Assistants; and
 - (5) Evidence that the training program for the personnel of the Administrator, the Participating Institutions, and the Technical Assistants has been established.
- B. Prior to the Commencement Date of each Participating Institution, the Administrator shall notify A.I.D. in writing that it has in its files:
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- (1) Evidence that such Participating Institution has received copies of the Operating Handbook necessary for its operations within the System;
- (2) Evidence that all the personnel of such Participating Institution involved in its operations within the System has completed the required training; and
- (3) An original copy of the executed Guaranty Contract between the Administrator and such Participating Institution if such Participating Institution joined the system after the signing of this Agreement.

VII. Covenants

A. The Administrator shall covenant and agree to:

- (1) Pay each Participating Institution an amount equal to seventy-five percent (75%) of each Eligible Loan of such Participating Institution upon which default has occurred, such amounts to be reimbursed to the Administrator in accordance with the Guaranty Project Agreement;
- (2) Pay all the administration and promotion expenses of the System while the income of the PCGP Fund is not sufficient to cover said expenditures;
- (3) Obtain the approval of A.I.D. before any change of plans, policies or procedures of Handbooks mentioned in clause (5) below;
- (4) Facilitate the rediscount of the Eligible Loans made by the Participating Institutions when justified;
- (5) Insure tht the operations of the System are carried out in accordance with such Handbooks, plans, schedules and other arrangements approved by A.I.D.;
- (6) Provide qualified personnel, acceptable to A.I.D. for the administration of the PCGP Fund and train said personnel for the effective and efficient surveillance and operation of the System;

- (7) Establish the Technical Assistance Account to pay for preinvestment technical assistance when the recommendations of the studies made of the sub-project are not in favor of its financing within the System;
- (8) Maintain, and insure that the Participating Institutions maintain, books and records of operations within the System;
- (9) Select and authorize the participation of each Technical Assistant, who shall work within the guidelines acceptable to A.I.D. The terms of reference of the technical assistance will be in the contract signed by the Eligible Borrower and the Technical Assistant, in form and substance acceptable to the Administrator and A.I.D., and shall include the technical, economical and financial justification of the sub-project, participating in its discussion and support and assistance during implementation; and
- (10) Pay to A.I.D. on the last day of each month, in local currency, a Guaranty Fee in an amount equal to .25 percent (1/4 of 1 percent) of the original principal amount of each Eligible Loan made during such month.

B. Each Participating Institution shall covenant and agree to:

- (1) During the time the Guaranty remains in force and for five years after any payment made pursuant to Section III hereof, permit A.I.D. and the Administrator and their representatives, at any reasonable time and upon request, to make examinations of the books and records established pursuant to Section VII A.8 above, and to make copies and transcripts of the same, and shall take all reasonable measures to facilitate such audits or investigations of the registers of the sub-projects financed within the System.
- (2) Pay to the PCGP Fund within two (2) working days after receipt thereof the amount of each

recuperation of a defaulted loan obtained in accordance with the Guaranty Project Agreement.

- (3) Operate in accordance with the policy and procedures of the Operating Handbook received from the Administrator on the date of completion of the training given by the Administrator on the use of the Operating Handbook.
- (4) Make the payments pursuant to the Guaranty of the Participating Institutions, as defined in the Guaranty Project Agreement, no later than thirty (30) days after receipt of a copy of the quarterly report from the Administrator.

VIII. Adjustments

The Guaranty Project Agreement shall include provisions for the increase or decrease of the maximum amount of the Guaranty necessary to support the growth of the total portfolio of Eligible Loans under the Project. In no event shall A.I.D. be required to increase the maximum amount of the Guaranty if such increase would result in the violation of Section 222A of the Act.

Edward W. Coe

Assistant Administrator
Bureau for Latin America and
the Caribbean

Feb 7, 1979

Date

Clearance:

GC/LAC, JLKessler *JLK*

Date *2/1/79*

LAC/DR, HBassford *HB*

Date *2/8/79*

LAC/DR, MBrown *MB*

Date *2/6/79*

GC/LAC, GM/inter:lb:1/31/79