

J

047

Loan Project Completion Report: AID Loan 538-T-005 Latin American
Agribusiness Development Corporation (LAAD) Caribbean Regional Agribusiness
Development.

I. Project Background, Status and Achievement

A.I.D. Loan Agreement No. 538-T-005 (the loan) was authorized on December 31, 1975 in the amount of \$6,000,000. The Loan between LAAD (the Borrower) and AID was signed on February 27, 1976. In addition to AID finances provided under the program, LAAD agreed to provide an additional \$2.0 million of its own resources.

The Loan was made to assist LAAD, an entrepreneurial investment corporation, in its creation of a Caribbean subsidiary (LAAD-CARIBE) to promote, finance, and implement small scale agribusiness enterprises in the Caribbean and Central America. This project represented an expansion of joint AID-LAAD efforts in agribusiness development activities which began with a FY 1972 \$6.0 million AID loan followed by a \$5.0 million AID loan in 1975.

The original Terminal Commitment Date (TCD) and the Terminal Disbursement Date (TDD) were May 24, 1979 and June 24, 1979, respectively. Due to the orderly and adequate implementation of the loan program, both the TCD and TDD were met on schedule, and no extensions were required.

To assess the achievement of the loan purpose, an AID/W review of the loan was held in August 1978 review, it was determined that the loan program was progressing adequately and that conditions and covenants of

BEST AVAILABLE COPY

the loan agreement were being carried out according to the intents and purposes of the loan agreement. The purpose of the January 1978 review was to examine the impact of the loan program on the intended target group. Four sub-projects in Haiti were visited by a team comprised of AID/W and LAAD personnel. For sub-projects utilizing AID funds, it was determined that LAAD was providing excellent sub-project appraisals, impact assessments and that the AID target group was receiving direct benefits from participation in the loan program.

The following is the project's actual source and use of funds table as of the TDD:

SOURCE AND APPLICATION OF FUNDS

Country/# of Projects <u>1/</u>	(000) AID	(5)	(000) LAAD <u>2/</u>	(%)	(000) TOTAL
Dominican Republic (3)	1,450	(100%)	0	(0%)	1,450
Haiti (17)	2,445	(77%)	722	(23%)	3,167
Panama (7)	1,000	(57%)	760	(43%)	1,760
Barbados (1)	0	(0%)	50	(100%)	50
Belize (4)	1,105	(66%)	565	(34%)	1,670
Colombia (2)	0	(0%)	750	(100%)	750
Total (34)	6,000	(68%)	2,847	(32%)	8,847

NOTES:

1/ All sub-projects are not mutually exclusive. For example, in Haiti, there are several approved sub-loans with the same sub-borrowers. However, these are for a variety of activities directed to AID's target group.

2/ LAAD is required by the loan agreement to contribute \$2.0 million to the loan program. As of July 1979, LAAD had committed \$2.8 million and disbursed 1.2 million. All AID Loan funds were totally committed and disbursed.

II. Eliminated Conditions and Covenants

Upon termination of the Project, the following conditions and covenants, which were written into the Loan Agreement to insure completion according to A.I.D. criteria, became either unnecessary or properly internal to LAAD. They are thus eliminated from AID/W's monitoring scope:

A. Under Article III, Conditions Precedent to Disbursement, all sections including:

i) Section 3.01. Conditions Precedent to Initial Disbursement, including sub-sections (a), (b), (c), (d), (e), (f), (g), (h), (i), (j), and (k)

The borrower fulfilled the requirements of Section 3.01 as stated in Implementation letter No. 2.

B. Under Article IV, General Covenants and Warranties, the following covenants and sections:

i) Section 4.01. Execution of the Program;

ii) Section 4.02. Funds and other resources to be provided by the borrower;

iii) Section 4.03. Continuing Consultation;

iv) Section 4.04. Management;

v) Section 4.05. Taxation;

vi) Section 4.06. Utilization of Goods and Services;

vii) Section 4.07. Disclosure of Material Facts and Circumstances;

viii) Section 4.08. Commissions, Fees and other payments;

- ix) Section 4.09, Maintenance and Audit of Records;
- x) Section 4.10, Audited Financial Statements;
- xi) Section 4.11, Reports; and
- xii) Section 4.12, Inspections.

With the exception of Sections 4.02, 4.04 and 4.11, applicability of the above General Covenants and Warranties were logically concluded as of TDD. As to Section 4.02, and as described therein, the borrower has pledged to contribute \$2.0 million of its own resources to the project. As to Sections 4.04 and 4.11, the management and reporting requirements of the project have been, and at this point continue to be generally sound.

C. Under Article V, Special Covenants, the following covenants and sections

- i) Section 5.01 Eligible Countries;
- ii) Section 5.02 Joint Reviews;
- iii) Section 5.03 Limitations on the Borrowers;
(1), (2), (3), (4), (5), (6), (12), (13) and (14);
- iv) Section 5.04 Sub-loan Agreements

With the exception of Section 5.03, (7), (8), (9), (10) and (11) applicability of the above special covenants were logically concluded as of the TDD.

D. Under Article VI, Procurement all covenants and sections including

- i) Section 6.01, Procurement from Selected Free World Countries;
- ii) Section 6.02, Procurement from Countries in the Caribbean Basin;

- iii) Section 6.03. Eligibility Date;
- iv) Section 6.04. Goods and Services not Financed Under the Loan;
- v) Section 6.05. Implementation of Procurement Procedures;
- vi) Section 6.06. Plans, Specifications, Contracts and loans;
- vii) Section 6.07. Reasonable prices;
- viii) Section 6.08. Employment of Non-Selected Free World Nationals under Construction Contracts;
- ix) Section 6.09. Shipping and Insurance;
- x) Section 6.10. Notification of Potential Suppliers;
- xi) Section 6.11. Information and Marketing;
- xii) Section 6.12. Applicability of Article VI to Loan Funds Utilized for Equity Investments

The above sections are to be eliminated since all loan related procurement has been completed.

III. Covenants and Warranties to be Retained

Remaining covenants and warranties grant rights to A.I.D. and will be retained. Except as noted below, however, they require no specific monitoring by AID/W. These include;

Section 4.02. Funds and other Resources to be Provided by the Borrower. As agreed upon in the Loan agreement, LAAD is to provide \$2.0 million in equity financing to the program. As of the TDD, LAAD had committed but not disbursed the full amount.

Section 4.11 Reports. Borrower shall continue to furnish to AID such information and reports, related to the Loan as AID may request. The borrower has agreed to supply quarterly reports on the overall loan.

Section 4.12 Inspections. AID has the right to inspect the Project and all records, documents, goods and services associated with it.

Section 5.03: Sub-sections (7), (8), (9), (10), (11) Limitations on the Borrower, These sub-sections remain in force and LAAD, as agreed upon in the loan agreement, will seek A.I.D. approval for any modification or changes thereof in these sections.

IV. AID/W Monitoring Responsibilities

LAC/DR/CAR, in conjunction with LAC/DR/RD, will have responsibility for the residual monitoring indicated under Part III above. In addition, LAC/DR/CAR will continue to evaluate all reports and implementation documents forthcoming from LAAD.

LAC/DR:AWarman: gpb

BEST AVAILABLE COPY