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AID Loan No. 511-0-064 ✓

PD-AAA-107-D1

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D A T E :   S e p t e m b e r   1 5 ,   1 9 7 2

LOAN AGREEMENT dated \_\_\_\_\_,  
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. AID 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 three million United States dollars (\$3,000,000) ("Loan") to assist the Borrower in carrying out the Program referred to in Section 1.02 ("Program"). The Loan shall be used exclusively to finance United States dollar costs of goods and services required for the Program ("Dollar Costs") and Bolivian peso costs ("Peso Costs") of goods and services required for the Program. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal."

SECTION 1.02. The Program. The Program shall consist of activities to strengthen the capabilities of rural communities in Bolivia to initiate and carry out development projects. The Program will be carried out by the National Community Development Service (NCDS) for a period of three (3) years commencing upon the signing of this Agreement. Financing will be provided under this Loan for (1) purchase of materials and services necessary for self-help projects, (2) equipment and supplies needed for NCDS, (3) certain NCDS administrative expenses, and (4) technical assistance and training related to fulfillment of the NCDS program. Borrower will pay all salaries of

permanent NCDS personnel and will provide all necessary administrative support to NCDS. The Program is more fully described in Annex I attached hereto, which Annex may be modified in writing by mutual agreement between Borrower and AID.

SECTION 1.03. Use of Funds Generated by Other United States Assistance. The Borrower shall use for the Program, in lieu of any United States dollars that would otherwise be disbursed under the loan to finance the Bolivian Peso Costs of the Program, 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 AID and the Borrower may agree in writing. Any such funds used for the Program shall reduce the amount of the Loan (to the extent that it shall not then have been disbursed) by an equivalent amount of United States dollars computed, as of the date of the agreement between AID 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 AID 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. The Borrower will also pay to AID a penalty on any unpaid interest due equal to three percent (3%) per annum computed on the basis of a 365-day year. Interest on the outstanding balance 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 semi-annually. 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 AID.

SECTION 2.02. Repayment. The Borrower shall repay to AID 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. AID shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

SECTION 2.03. Application, Currency, and Place of Payment. All payments of penalties, interest and Principal hereunder shall be made in United States dollars and shall be applied first to the payment of penalties, then interest due and then to the repayment of Principal. Except as AID may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Washington D.C. 20523, Attention Cashier SA12 and shall be deemed made when received.

SECTION 2.04. Prepayment. Upon payment of all penalties, interest 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. In the light of the undertakings of the United States of America, and the other signatories of the Act of Bogotá and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with AID, at such time or times as AID 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 taking into consideration the relative capital requirements of Bolivia and of the other signatories of the Act of Bogotá and the Charter of Punta del Este.

## ARTICLE III

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

Prior to the first disbursement or to the issuance of the first letter of commitment under the Loan, the Borrower shall, except as Borrower and AID may otherwise agree in writing, furnish to AID in form and substance satisfactory to Borrower and AID:

(a) An opinion of the Fiscal de Gobierno de Bolivia or other counsel acceptable to AID 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;

(c) An implementation plan for the program that may later be modified by mutual agreement between NCDS and AID, which will include inter alia:

1. A statement of internal audit, purchasing and warehousing procedures to be used by NCDS throughout the disbursement period of the Loan.

2. A statement of procedures and arrangements for utilization and maintenance of NCDS equipment to be followed by NCDS throughout the disbursement period of the Loan.

3. A program budget covering no less than 3 years of operations
4. Procedures for evaluation approval and execution of program projects.

SECTION 3.02. Terminal Dates for Meeting Conditions Precedent to Disbursement. If all of the conditions specified in Section 3.01 shall not have been met within 90 days from the date 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 the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

SECTION 3.03. Notification of Meeting of Conditions Precedent to Disbursement. AID shall notify the Borrower when the conditions precedent to disbursement specified in Section 3.01 have been met.

## ARTICLE IV

General Covenants and WarrantiesSECTION 4.01. Execution of the Program.

(a) The Borrower, through NCDS shall carry out the Program with due efficiency and in conformity with sound engineering, construction, financial and administrative practices;

(b) The Borrower shall cause the Program to be carried out in accordance with all plans, procedures and arrangements approved by AID pursuant to this agreement except as may be otherwise mutually agreed in writing by Borrower and AID.

Borrower shall also assure that NCDS continues to function pursuant to the decentralized structure established in Supreme Decree No. 09250 of June 4, 1970 and to its established rules, regulations and procedures, unless Borrower and AID shall otherwise mutually agree in writing.

SECTION 4.02. Funds and Other Resources to be Provided by the Borrower. Borrower shall provide, as needed, all funds, in addition to the Loan, and all other resources necessary for the timely and effective carrying out of the Program.

SECTION 4.03. Continuing Consultation. The Borrower and AID shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and AID shall, from time to time, at the request of either party, but no less

frequently than once every year, exchange views through their representative with regard to the progress of the Program, plans for future operations in connection with the Program, the performance by the Borrower of its obligations under this Agreement, the performance by AID of its obligations, the performance of the NCDS, consultants, contractors, and suppliers engaged in the Program, and other matters relating to the Program.

SECTION 4.04. Management. The Borrower shall cause NCDS to provide qualified and experienced management for the Program and shall cause NCDS to train such staff as may be appropriate for the operation of the Program.

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 Bolivia. To the extent that (a) any non-Bolivian contractor, including any non-Bolivian consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts or (b) any commodity procurement transaction financed under Section 7.01 hereof is not exempt from identifiable taxes, tariffs, duties, and other levies imposed under the laws in effect in Bolivia, the Borrower shall, as and to the extent prescribed in and

pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds others 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 Program, except as Borrower and AID may otherwise agree in writing. Upon completion of the Program or full repayment of the Loan, whichever occurs first, or at such other time as goods financed under the Loan can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as Borrower and AID may agree in writing prior to such use or disposition.

(b) Except as Borrower and AID 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 AID Geographic Code Book as in effect at the time of such use.

SECTION 4.07. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to AID in the course of obtaining the Loan are accurate and complete, and that it has disclosed to AID, accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of its obligations under this Agreement. The Borrower shall

promptly inform AID of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect the Program or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.08. Commissions, Fees and Other Payments.

(a) Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its 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 of 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 Borrower shall promptly report to AID any payment or agreement to pay for such bona-fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by AID, the same shall be adjusted in a manner satisfactory to Borrower and AID.

(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 Bolivia.

SECTION 4.09. Maintenance and Audit of Records. The Borrower, through NCDS, shall maintain, or cause to be maintained in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Program and to this Agreement. The books and records of NCDS 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 Program.

Control of the funds provided under this Loan must be maintained separate from the control of funds from other sources, i.e. separate accounting records and books must be kept for these funds to the extent required by Implementation Letters. Such books and records shall be regularly audited, in accordance with sound auditing standards, for such periods and at such intervals as AID may request, and shall be maintained for five years after the date of the last disbursement by AID or until all sums due AID under this Agreement have been paid, whichever date shall first occur.

SECTION 4.10. Reports. The Borrower, through NCDS, shall furnish to AID such information and reports relating to the Loan and to the Program as AID may request.

SECTION 4.11. Inspections. The authorized representatives of AID shall have the right at all reasonable times to inspect the Program, the utilization of all goods and services financed under the Loan, and the books, records and other documents of the Borrower, and participating communities relating to the Program and the Loan. The Borrower shall cooperate with AID to facilitate such inspections and shall permit representatives of AID to visit any part of Bolivia for any purpose relating to the Loan.

## ARTICLE V

Special Covenants

SECTION 5.01. NCDS Salaries and Administrative Support. Borrower shall continue to provide financial support to NCDS during the disbursement period of the Loan at a level sufficient to pay the salaries of all permanent NCDS employees and to meet administrative costs not otherwise covered by the Loan or other funding sources.

SECTION 5.02. Review and Adjustment of Salary Level of NCDS Professional Personnel. Borrower agrees to maintain the salaries of NCDS professional personnel at levels compatible with salaries of professional personnel with similar functions and responsibilities in other agencies of the Borrower.

SECTION 5.03. Hiring of Consultant for Evaluation. Within three months of the date of signing of this Agreement, NCDS shall initiate steps to engage an independent consultant for assistance in establishing an evaluation system for the NCDS program pursuant to terms and conditions satisfactory to Borrower and AID. NCDS shall contract with such consultant and shall cause consultant to begin work in Bolivia not later than nine months after the date of signing of this Agreement, unless Borrower and AID shall otherwise mutually agree in writing.

SECTION 5.04. Environmental Impact. Borrower shall cause the environmental impact of all projects to be financed with loan funds to be taken into consideration.

## ARTICLE VI

ProcurementSECTION 6.01. Procurement from Selected Free World Countries.

Except as Borrower and AID may otherwise agree in writing, and except as provided in sub-section 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 Program of goods and services having their source and origin in countries included in Code 941 of the AID 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"). However, regardless of 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 AID Geographic Code Book as in effect at the time of shipment.

SECTION 6.02. Procurement from Bolivia. Except as AID may otherwise agree in writing, Bolivian peso disbursements made pursuant to Section 7.02 and Section 7.04 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in Bolivia.

SECTION 6.03. Eligibility Date. Except as AID 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 Loan. Goods and services procured for the Program, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the AID 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 AID may otherwise agree in writing, the Borrower shall furnish to AID promptly upon preparation all bid documents, and contracts relating to the Project, and any modifications therein.

(b) All bid documents and documents related to the solicitation of proposals relating to goods and services financed under the Loan shall be approved by AID in writing prior to their issuance. All bid documents and contracts relating to goods and services financed under the Loan shall be in terms of United States

standards and measurements, except as AID may otherwise agree in writing.

(c) The following contracts financed under the Loan shall be approved by AID in writing prior to their execution:

- (i) contracts for other professional services,
- (ii) contracts for such other services as AID may specify, and
- (iii) contracts for such equipment and materials as AID may specify.

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

(d) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of work and such of their personnel assigned to the Project as AID may specify, shall be acceptable to AID.

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. Such items shall be procured on a fair basis, except for professional services, on a competitive basis.

SECTION 6.08. Shipping and Insurance

(a) Selected Free World Goods financed under the Loan may be transported to Bolivia on flag carriers of any country included in Code 935 of the AID Geographic Code Book as in effect at the time of shipment. However, only freight charges on Geographic Code 941

countries carriers (ocean vessels, aircraft, rail, or truck) may be financed under Section 7.01. Freight charges on Bolivian air and land carriers are eligible for financing in local currency under the Loan.

(b) At least fifty percent (50%) of the gross tonnage of all goods financed under Section 7.01 of the Loan (computed separately for dry bulk carriers, dry cargo liners, and tankers) which shall be transported on ocean vessels shall be transported on privately owned United States flag commercial vessels unless AID shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. In addition, at least fifty percent (50%) of the gross freight revenue generated by all shipments financed under the loan and transported on dry cargo liners shall be paid to or for the benefit of privately-owned United States flag commercial vessels unless AID shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. If such goods may be transported on any ocean vessel (or aircraft) (i) which AID, in a notice to the Borrower, has designated as ineligible to carry AID financed goods or (ii) which has been chartered for the carriage of AID financed goods unless such charter has been approved by AID.

(c) Marine insurance on 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 Bolivia or in a country included in Code 941 of the AID 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, 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, goods financed under the Loan, shall during the continuance of such discrimination, be insured against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

(d) The Borrower shall insure, or cause to be insured, all goods from Code 941 countries financed under the Loan against risks incident to their transit to the point of their use in the Program. 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 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 or shall be used for repayment of this Loan. Any such replacements shall have their source and origin in countries included in Code 941 of the AID

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 AID such information with regard thereto, at such times, as AID may request pursuant to Implementation Letters. However, for individual orders of less than \$5 000.00, this procedure will not be necessary. The Borrower may also simultaneously provide identical procurement data to firms in other eligible countries.

SECTION 6.10. United States Government-owned Excess Property. The Borrower shall utilize with respect to goods financed under the Loan to which the Borrower takes title or the title of procurement, such reconditioned United States Government-owned Excess property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. The Borrower shall seek assistance from AID and AID will assist the Borrower in ascertaining the availability of, and in obtaining such Excess Property. AID will make arrangements for any necessary inspections of such property by the Borrower or its representative. The costs of inspection 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 AID assistance, the Borrower shall indicate to AID in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for use in the Program.

SECTION 6.11. Information and Marking. The Borrower shall give publicity to the Loan and the Program as a joint Bolivian-United States undertaking in furtherance of the Alliance for Progress, as prescribed in Implementation Letters.

## ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs--  
Letter of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request AID to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to AID, committing AID 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 Program 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 AID 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. Bolivian banking charges are not eligible for reimbursement under this loan.

SECTION 7.02. Disbursements for Peso Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by AID of Bolivian pesos for peso costs of goods and services procured for the Program in

accordance with the terms and conditions of this Agreement by submitting to AID such supporting documentation as AID may prescribe in Implementation Letters. AID shall make such disbursements from Bolivian pesos owned by the U.S. Government and obtained by AID with United States dollars. The United States dollar equivalent of the Bolivian pesos made available hereunder will be the amount of United States dollars required by AID to obtain the Bolivian pesos.

SECTION 7.03. Exchange Rate. The rate of exchange to be used hereunder in any instance where conversion of United States dollars to Bolivian pesos, 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 AID may agree to in writing.

SECTION 7.05. Date of Disbursement. Disbursements by AID shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which AID 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 AID purchases the pesos bolivianos pursuant to Section 7.02

SECTION 7.06. Terminal Date for Disbursement. Except as Borrower and AID 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 AID after August 31, 1975, and no disbursement shall be made against documentation received by AID or any bank described in Section 7.01 after December 31, 1975. AID at its option may, at any time, or times after December 31, 1975, 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, by written notice to AID, cancel any part of the Loan (i) which, prior to the giving of such notice, AID 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 shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and AID, or any of its predecessor agencies;

(c) The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Program with due efficiency;

(d) Except as AID may agree in writing, the Borrower shall have substantially modified the management, organizations, character, objectives, and/or established procedures of the Program as outlined in its rules and regulations;

then AID 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 sixty (60) days:

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

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

SECTION 3.03. Suspension of Disbursement. In the event that at any time:

(a) An Event of Default has occurred;

(b) An event occurs that AID determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement;

(c) Any disbursement by AID would be in violation of the legislation governing AID; 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, any guaranty 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 AID 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 AID shall give notice to the Borrower promptly thereafter;

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

(iii) decline to issue additional commitment documents;

(iv) at AID's expense, direct that title to goods financed under the Loan shall be transferred to AID if the goods are from a source outside Bolivia, are in a deliverable state, and have not been off-loaded in Bolivia or in such ports outside of Bolivia where pursuant to international agreements goods destined for Bolivia become 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 AID. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursement shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, AID 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, and the objectives of the Program, AID 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 AID within thirty days after receipt of a request thereof. Such amount shall be made available first for the cost of goods and services procured for the Program 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, this Agreement shall continue to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

(b) In the event that AID receives a refund from any contractor or 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 with specifications, or to services that were inadequate, AID shall first make such refund available for the cost of goods and services procured for the Program 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 AID, other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due AID by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to AID in such manner as AID may specify.

SECTION 8.08. Non-Waiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to AID 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 by AID 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: Servicio Nacional De Desarrollo de  
La Comunidad  
Casilla 1397  
La Paz, Bolivia

Cable Address. DECOMUNIDAD  
La Paz, Bolivia

## TO AID:

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 AID hereunder, shall be in Spanish, except as AID may otherwise require in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding

or acting in the offices of the Director of the National Community Development Service and AID will be represented by the individual holding or acting in the office of the Mission Director. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, the Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to AID. Until receipt by AID 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. AID 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 AID 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 AID may reasonably request.

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

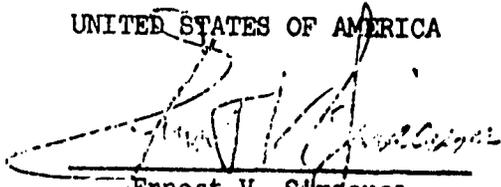
SECTION 9.06. Termination Upon Full Payment. Upon payment in full of the Principal, and of any accrued interest and penalties, this Agreement and all obligations of the Borrower and AID under this Loan Agreement shall terminate.

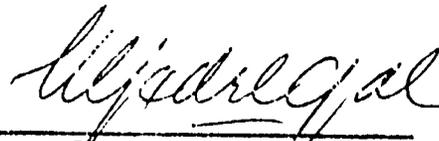
IN WITNESS WHEREOF, Borrower and the United States of America each acting through its respective duly authorized representatives, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

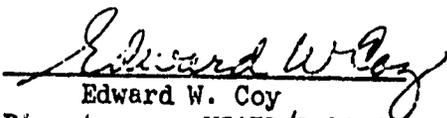
THE REPUBLIC OF BOLIVIA

  
 \_\_\_\_\_  
 Col. Hugo Banzer Suarez  
 President

UNITED STATES OF AMERICA

  
 \_\_\_\_\_  
 Ernest V. Siragusa  
 Ambassador

  
 \_\_\_\_\_  
 Luis Bedregal Rodo  
 Minister of Finance

  
 \_\_\_\_\_  
 Edward W. Coy  
 Director - USAID/Bolivia

## ANNEX I

### Description of the Program

The purpose of the Program is to strengthen the capabilities of rural communities in Bolivia to initiate and carry out development projects. This will be done through promotion of, and the provision of assistance for the implementation of community development projects (self-help projects). It is planned that 2,000 self-help projects of various types in rural areas will be carried out during a period of approximately three years. Emphasis will be placed on rural community infrastructure and agricultural projects, including but not limited to potable water supplies, access roads, farm to market roads, wells, schools, medical centers, housing irrigation projects, rural electrification, silos and other storage facilities

The National Community Development Service (NCDS), as a specialized organization of the Borrower, has the function of assisting rural communities to plan and carry out self-help projects by supplying administrative and financial support, supervision, training and technical assistance. In addition to assisting communities to plan and carry out the self-help projects, the NCDS will furnish training to community leaders and help promote and organize rural cooperatives

Financing: At least half of the cost of each self-help project will be provided by the local community in the form of cash

contribution, labor and/or local materials. Some communities will contribute a greater share of the cost depending on their ability. The balance necessary to complete each self-help project will be provided by NCDS, either from this loan or from other funds.

Use of Loan Funds: At least 1.75 million dollars of the 3 million dollar loan will be used directly for the carrying out of self-help projects. Loan funds will be used for local procurement of commodities and services for the self-help projects proposed in the NCDS three-year plan, including rental of construction equipment, hire of skilled labor, and, when beyond the capacity of the participating community, transportation of commodities which have been procured.

Up to 700,000 dollars of loan funds may be used for equipment and supplies for the NCDS.

Up to 105,000 US dollars of loan funds may be used for technical assistance to the NCDS. The term technical assistance as used herein includes consultant services for research related to activities carried out under this project and consultant services for the evaluation department of the NCDS to enable it to establish an evaluation system for the program.

Up to 120,000 dollars of loan funds may be used for contracting training personnel for the training department of NCDS.

Up to 325,000 US dollars of loan funds may be used for the following administrative expenses of the NCDS.

Communications and utilities  
 Publicity and printing  
 Travel, per diem, and transportation  
 Insurance  
 Rent  
 Maintenance of buildings  
 Bank charges  
 Supplies and materials  
 General services  
 Maintenance of vehicles and equipment

The GOB through its own resources will pay the expenses of representation, port charges, import taxes and all other necessary administrative expenses for which it will contribute at least the peso equivalent of US\$25,000 in 1973, \$75,000 in 1974 and \$150,000 in 1975 as well as pay all salaries of permanent NCDS personnel.

The financing plan in US dollars equivalent is as follows:

	External Financing (AID)	Internal Financing (Community)	Internal Financing (GOB)	Total Financing
Project Costs	\$1,750,000	\$3,100,000	\$ -	\$4,850,000
Technical Assistance	105,000	-	-	105,000
Training Salaries (contracted)	120,000	-	-	120,000
Equipment	700,000	-	-	700,000
Administration	325,000	-	250,000	575,000
Salaries for perm- anent employees	-	-	1,165,000	1,165,000
	<u>\$3,000,000</u>	<u>\$3,100,000</u>	<u>\$1,415,000</u>	<u>\$7,515,000</u>

The program will be subject to continuing monitoring and evaluation.