

UNITED STATES GOVERNMENT

# Memorandum BEST AVAILABLE DOCUMENT

TO : Mr. Marshall Brown - LA/DR

DATE: MAY 24 1976

FROM : John R. Oleson - USAID/Bolivia Director *J. Oleson*

SUBJECT: Loan Completion Review Report for *Highway Construction*  
511-L-032; El Alto-Oruro Highway  
*511-2.2-3.3-5.1*

I. Purpose of the Loan:

The loan was signed on November 4, 1966 and the Project, as described in the Loan Agreement and Capital Assistance Paper, was completed June 30, 1971. The project purpose stated in the CAP was "... to reduce transportation costs through the improvement of highway facilities between Oruro and El Alto". The project consisted of the improvement of approximately 190 kilometers of the La Paz-Oruro highway, including asphalt surfacing and partial relocation.

A standard road user savings method was used in the Economic Analysis of the CAP, citing a 20 year life and a 12% discount rate, and utilizing projected Average Daily Traffic (ADT) figures for the twenty year period. Based on the projected ADTs, the road improvement indicated savings resulting in a Benefit/Cost ratio of 1.9. During the five year period since the completion of the Project, the average of actual ADTs were 46% per year higher than those anticipated in the CAP. Making new projections of ADTs based on the figures for the last five years, the revised Benefit/Cost ratio would be 2.72. The benefits to the users far exceed those anticipated.

II. Covenants to be Eliminated from Further Monitoring:

Two categories of covenants are being eliminated from Mission Monitoring:

a. The first category are those that were written into the Loan Agreement to insure physical completion of the Project, and for this reason have no use after Project completion. These are as follows:

4.01. Execution of the Project, in which the Borrower covenants to carry out the project with diligence and efficiency and in conformity with the plans, specifications, contracts, schedules and other arrangements approved by A.I.D.

4.03. Continuing Consultation, in which the Borrower and A.I.D. agree to cooperate fully to assure that the purpose of the Loan will be accomplished.

4.07. Utilization of Goods and Services, which limits the use of goods and services, financed by the Loan exclusively for the Project.



- 4.08. Disclosure of Material Facts and Circumstances, in which the Borrower warrants all facts and circumstances disclosed to AID in the course of obtaining the loan to be complete and accurate, and that the Borrower will promptly inform AID of any facts and circumstances that may affect the project.
- 4.09. Commissions, Fees and Other Payments, by which Borrower warrants and covenants that no commissions or fees were paid or would be paid in connection with the Loan.
- 4.11. Reports, in which the Borrower agrees to furnish information and reports to A.I.D. (Monthly and Quarterly Reports according to Implementation Letter No. 1).
- 5.01. Maintenance and Debt Servicing, required Borrower to submit a plan for AID approval within one year after signature of Loan Agreement to for the generation and allocation of funds required to finance the maintenance budget of the Servicio Nacional de Caminos (SNC) and the debt servicing costs of AID loans for highway construction. Such plan was submitted and approved by USAID.
- 6.01. Procurement from Bolivia, which limits disbursement to goods and services with source and origin in Bolivia or origin in the United States.
- 6.02. Eligibility Date, which established that goods or services ordered before the date of the agreement cannot be financed by the Loan.
- 6.03. Goods and Services not Financed Under the Loan, which limits goods and services procured by the Project, but not financed under the Loan to the countries included in Code 935.
- 6.04. Implementation of Procurement Requirements, which establishes that definitions for the eligibility requirements will be set forth by Implementation Letters.
- 6.05. Plans, Specifications and Contracts, sub-sections (a), (b), (c) and (d) refer to the plans, specifications, construction schedules, bid documents, and contracts relating to the Project furnished by the Borrower and approved together with A.I.D. Sub-section (e) refers to the services of consulting firms.
- 6.06. Reasonable Price, which refers to the prices paid (in whole or in part) for goods and services financed by the Loan.
- 6.07. Information and Marking, in which the Borrower covenants to give publicity to the Loan.

b. The covenants listed below are those that will be eliminated from active monitoring for reasons other than physical completion of the Project.

4.02. Funds and Resources to be Provided by Borrower, in which Borrower covenants to provide funds for carrying out, maintenance and repair of the Project.

Reason for Elimination from Monitoring: The GOB has demonstrated its intentions to maintain its primary road system by providing adequate budgets to the SNC for this purpose during the last five years.

4.04. Management, in which the Borrower covenants to train a qualified staff for the appropriate maintenance of the Project.

Reason for Elimination from Monitoring: The SNC has to date maintained an adequate staff to maintain the Project during the past five years.

4.05. Maintenance and Repair, in which Borrower covenants to maintain and repair the Project in conformity with sound engineering and administrative practices.

Reason for Elimination from Monitoring: (See 4.02 above).

4.10. Maintenance and Audit of Records, in which the Borrower covenants to maintain for five years after the date of last disbursement by A.I.D., (September 1971), books and records relating to the Project, in accordance with sound accounting principles and practices consistently applied.

Reason for Elimination from Monitoring: This covenant expires in September, 1976 and the Mission does not plan to review the books and records prior to that date.

### III. Monitored Covenants:

The following covenant will continue to be monitored by the Controller of USAID/Bolivia until all principal and interest for the loan has been repaid.

4.06. Taxation, which exempts the loan, the principal and the interest from any taxation or fees imposed by the Bolivian laws.