

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

PD-AAB-758

Rio de Janeiro,
September 6, 1966

Dr. Ataulpho dos Santos Coutinho
Director-President
Companhia Estadual de Aguas da Guanabara (CEJAG)
Rua São José, 90 - 21º andar
Rio de Janeiro, GB

512-22-521-239
Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 1
CEDAG Maintenance and
Equipment Project
Engineering Services

Dear Dr. Coutinho:

This letter sets forth the procedures for utilizing the proceeds of the subject loan and provides information to assist you in implementing your program in conformity with the Loan Agreement. Nothing in this letter or its attachments alters the scope of the Loan Agreement or the terms of the specific sections that are referred to or explained in this communication. Subsequent Implementation Letters may supplement or modify this letter and its attachments to meet special situations that may arise.

Specifically this letter will deal with only those conditions found in Section 3.01 of the Loan Agreement outlining the steps to be taken by you to satisfy the Conditions Precedent for the initial disbursement. Implementation Letter No. 2, which you will receive shortly, will address itself to the Conditions Precedent found in Section 3.02. Further letters will deal with other aspects of the Loan Agreement.

I. Conditions Precedent to First Disbursement - Section 3.01

The following conditions precedent which are specified in the Loan Agreement need to be met by CEDAG prior to the first disbursement or to the issuance of the first letter of authorization to finance technical consulting service costs.

- A. Items 3.01(a) and (b) are self-explanatory. Attachment A is to assist you in meeting the requirements of 3.01(a).
- B. Item 3.01(c) and (d). We have submitted the required Agreements to the Government for signature. We will advise you when the Agreements have been signed. COCAP or A.I.D. will be in touch with you subsequently for your assistance on several formal matters required

to put the Agreements into effect (official translation, etc.).

C. Remittance of Dollars - Section 3.01(e)

You should submit evidence that dollars will be made available by the appropriate monetary authorities to meet the CEDAG's obligation as to repayment of principal and interest under the Loan Agreement.

Submission to A.I.D. of an Authorization Certificate from the Central Bank of Brazil will be acceptable to satisfy this condition precedent. After final disbursement, a Registration Certificate from the Central Bank will be required.

D. Independent Engineering Services - Section 3.01(f)

To satisfy this condition precedent to initial disbursement under the Loan you should submit the name of the firm you have selected to A.I.D. for approval. Following A.I.D. approval of the firm, please submit a draft contract for approval. Upon signature of A.I.D. approved contract for engineering services submit to A.I.D. three (3) conformed copies of the contract.

USAID should be informed of any additional engineering to be provided by CEDAG, suppliers, manufacturers, contractors, or any other individuals. The scope of their services should be clearly defined and related to the Scope of Work included in the Engineering Services Contract.

ATTACHMENT U, "Independent Engineering Services", provides a general guideline for selecting and contracting for engineering services. It is suggested that Exhibit "A" or "B" of this attachment be used in order to facilitate CEDAG and USAID's evaluation of the reasonableness of the engineering costs.

ATTACHMENT II, the "Project Description and Scope of Work", indicates the suggested form and content of the contract Scope of work. It should be modified where necessary, and should be submitted to USAID for concurrence prior to serious negotiations with a prospective engineering services contract.

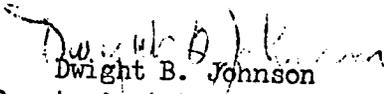
Under USAID regulations, engineering firms may be considered eligible only if they meet the qualification test. This test is a successful record of completion of projects similar in scope, and of comparable magnitude; the record must be in the name of the firm. Joint ventures or consortia are considered qualified if one master firm is qualified. USAID financing of engineering services under this Loan is limited to dollar costs.

To satisfy A.I.D.'s requirements for contracting for engineering services under this A.I.D. loan we suggest the following procedure:

1. Prepare a concise description of the Project and submit to USAID for its approval (See suggested draft - Attachment II)
2. Prepare Scope of Work for USAID approval. (See suggested draft - Attachment II).
3. Solicit non-price proposals from qualified firms. Joint venture firms should provide a copy of their joint venture agreement; Brazilian firms or the Brazilian subsidiaries of U.S. firms should present evidence of ownership, and evidence which indicates that they can legally perform the required services in Brazil. Make the selection and obtain USAID approval.
4. Negotiate a contract and submit three copies of draft, including cost details, for USAID approval. (See suggestions - Attachment U).
5. Sign contract and provide USAID with three conformed copies. Request USAID to open a Letter of Commitment to cover the cost of the contract.

This office is at your disposal to provide you with any additional information or clarification necessary.

Sincerely yours,


Dwight B. Johnson
Deputy Assistant Director
for Capital Development and Industry

I. Description of Project

- A. Purchasing, installing, and placing in operation specialized maintenance equipment, fluid network analyzer, flow and water-level measuring equipment, telemetering equipment, water conserving faucets, and chlorination equipment.
- B. The preparation, organization, and implementation of personnel training for the operation and maintenance of this equipment.
- C. Development of equipment repair and operation manuals.
- D. Assisting in establishing an up-dated master plan for the water distribution system and providing technical assistance in implementing the telemetering and telecommunication control system.

II. Scope of Engineering Work

A. Intent

That the engineering assignment will be the: (1) selection, procurement, inspection, installation, testing and placing the equipment in operation; (2) technical assistance and training for management and operations of the project including the preparation of manuals; (3) revising the master plan for the water distribution system and developing telemetering and telecommunications.

B. General

1. Obtain, or assist the owner to obtain all necessary reviews and approvals from A.I.D., Government of Brazil, State of Guanabara, and any other authorities having jurisdiction over the Project.
2. Take or initiate such action as may be required to assure that the project is at all times adequately funded. Provide timely advice to owner concerning payments to become due so necessary steps required to provide the funds can be taken.
3. Become familiar with all policies and requirements of A.I.D. having affect or bearing on the Project. Advise owner, initiate or take such action as may be required.

C. Preliminary Review and Implementation Plan

1. Evaluate the present procedures, policies, and facilities and formulate definitive plans, including training, to insure that the equipment and spare parts will be employed, distributed,

transported, maintained, stored, repaired, and inventoried in accordance with sound engineering practices.

2. Review the proposed equipment purchases, making investigations as necessary, and recommending such modifications as may be required to insure the proper use of all equipment and that it can and will be adapted to the necessary Brazilian component parts.

Example: Use of the Mueller tapping machine with Brazilian corporation stops.

3. Insure that a reasonable supply of spare parts are included to repair and maintain the equipment for the period of its expected usefulness.
4. Determine the concept and scope of the master planning to be carried out, thoroughly reviewing the August 1964 report entitled MASTER PLANNING OF THE GUANABARA WATER SYSTEM.
5. Review in detail the CEDAG telecommunications and telemetering programs to define the technical services required.
6. Prepare an implementation plan and schedule for carrying out the project. It should include a description of all contracts and purchase orders for installation, equipment, and services, the methods by which contractors and suppliers will be selected, schedule showing order and timing of events, course of estimated percent project completion by months, tabulation of cost estimates showing amount and source of funding for each item. The implementation plan should include the scheduling, displays, and investigations as needed, to carry out the project.
7. Review the financing plan with the project schedules to assure that they are coordinated and that funding will be available when required.
8. Establish required design, manufacturing, and installation standards and parameters for the project and its components.
9. Prepare as required engineering plans, drawings, technical specifications and bills of materials required to carry out the project.

E. Procurement

1. Prepare general and special conditions applying to contracts and purchase orders.

2. Prepare inquiries with supporting drawings and specifications and solicit competitive bids or quotations. Must meet A.I.D.'s requirements for USA business.
3. Arrange for and supervise receipt and opening of bids. Tabulate, analyze and evaluate bids received. Make recommendations to owner with justification concerning best bid. Publicize results as necessary.
4. Prepare contract with successful bidders for owner. Obtain all necessary approvals and issue contract documents.
5. Assist owner to secure necessary export and import licenses and embargo permits and other documents required for foreign procurement.
6. Arrange for inland and ocean transport. Assure that all required insurance coverage is provided, that loading, unloading, storage, rigging, and hauling are provided for.
7. Make claims in owner's behalf as may be necessary for freight and shipment losses and damages.
8. Audit invoices and secure fulfillment of purchase orders and contracts in accordance with their conditions.
9. Provide necessary certification required by A.I.D. for the release of funds and letters of credit.
10. Expedite manufacturer's engineering and transmittal of drawings, bills of material and invoices. Approve manufacturers drawings, plans, schedules specifications, instructions and parts lists.

Assure that manufacturer's suborders for critical items are timely placed to meet delivery schedules and adequate quality controls will be provided.

11. Examine periodically and become acquainted with A.I.D. surplus property catalog. Make recommendations concerning possible utilization of equipment contained therein for the project.
12. Advise owner concerning bid, performance, and payment bonds and surety.

F. Inspection, Testing and Reporting

1. Prepare procedures and agenda for inspections, tests, and placing equipment in operation and establish standards for acceptance.

2. Provide engineering inspections, as required, at the manufacturer's plants of equipment purchased for the project.
3. Inspect equipment when received for conformance with specifications, damage, and shortage.
4. Prepare reports pertaining to costs, disbursements, progress, schedules, and estimates of monthly cash requirements and such other reports as may be required by the owner and/or A.I.D.
5. Certify as to satisfactory or qualified final completion of suppliers obligations giving recommendations as to final payment.
6. Prepare final report of the Project satisfactory to owner and A.I.D.

G. Technical Assistance and Training

1. Provide expert technical services for organizing, developing, and implementing master planning and for up-dating the master plan of CEDAG. The master planning is to be concerned with all aspects of the system and its management, including design, rehabilitation, repair, operation, socioeconomics and finance, and shall develop basic data, provide baselines and help coordinate the over-all CEDAG program.
2. Provide necessary manuals in Portuguese setting up operation, maintenance, and repair procedures and practices.
3. Prepare schedules and instructions, organize and supervise the initial operation of equipment.
4. Advise owner concerning terms of all continuing guarantees or other responsibilities accruing to the benefit of the owner.
5. Review owner's organization and staffing for management, operation, and maintenance of the equipment and where required provide a new staffing pattern showing responsibilities and relationships.
6. Provide job descriptions and qualifications for new key positions.
7. Assist owner in setting up a continuing training program for sub-professional, skilled, and semiskilled personnel in the use of the new as well as existing equipment.

8. Establish standards and approve personnel to be trained in U.S. under A.I.D. financing.
9. Provide such experts as may be needed from the U.S. for operations and maintenance to work with and train owner's personnel.
10. Set up a continuing equipment and spare parts control system.
11. Perform such other technical and management assignments as owner may request which relates to the installations, operation, or maintenance of the equipment.

August 31, 1966

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

PA-AAB-758

Rio de Janeiro,
February 8, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President
Companhia Estadual de Aguas
da Guanabara - CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, GB.

512-22-521-235
Subject: A.I.D. Loan Nº 512-L-058
CEDAG Maintenance and
Equipment Project
Implementation Letter Nº 4.

Dear Dr. Coutinho:

This letter concerns conditions precedent to A.I.D. financing and the procedure by which A.I.D. will make available the proceeds of the loan.

I. Conditions Precedent to Initial Financing - Section 3.01.

With the exception of the requirement set forth in Section 3.01 (f), for the technical consulting services contract, all conditions precedent to initial financing have now been met.

As you know, we have suggested language to be incorporated in your draft contract with Engineering Services, Inc. Section 9, Source of Funds, should indicate that "payments in cruzeiros... shall be paid from CEDAG's own resources in the event that A.I.D. loan funds are not available for this purpose."

The contract in this form will be approved, and the condition precedent 3.01 (f) met, when A.I.D. has received three conformed copies of the executed contract.

II. Conditions Precedent to Additional Disbursements - Section 3.02

A.I.D.'s requirements in this regard are described in Implementation Letter No 2.

III. Terminal Dates for Meeting Conditions Precedent Section 3.03

As discussed with you, A.I.D. hereby extends the date for meeting the conditions precedent to initial disbursement (Section 3.01) to February 13, 1967.

Simultaneously, we hereby extend the date for meeting the conditions precedent to additional disbursement (Section 3.02) to April 30, 1967, as requested by you in your letter of January 31, 1967.

The conditions precedent contained in Section 10.1 of the Payment and Guaranty Agreement between the United States of Brazil and the United States of America, dated September 12, 1966, have also been satisfied.

IV. Disbursement Procedures and Documentation - Article VII.

After all the conditions precedent of the Loan Agreement have been fulfilled and upon receipt by A.I.D. of an appropriate request from the Borrower, the A.I.D. will issue Letter(s) of Commitment to the U.S. Bank(s) which the Borrower selects, to finance the U.S. dollar costs of the Project as defined in Section 1.02 of the Loan Agreement. The procedure for requesting issuance of Letters of Commitment and the action to be taken by the Borrower after they are issued, as well as the documentation required by A.I.D. as the basis for disbursement of Loan Funds, are described in Attachment A-

Please note that the terminal date for requests for issuance of Letters of Commitment is April 30, 1969 and for disbursements is July 31, 1969.

This office is at your disposal to provide you with any additional information or clarification.

Sincerely yours,


Dwight B. Johnson

Deputy Assistant Director
for Capital Development and Industry.

Attachment: Disbursement of Loan Funds
Letter of Commitment Procedure

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro, March 6, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President
Companhia Estadual de Aguas
da Guanabara - CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, GB.

7.4
512-22-521-239
Subject: A.I.D. Loan Nº 512-L-058
CEDAG Maintenance and
Equipment Project
Implementation Letter Nº 5.

Dear Dr. Coutinho:

I am pleased to inform you that A.I.D. hereby approves the contract signed between Engineering Sciences, Inc. and CEDAG on February 24, 1967.

Conditions precedent to initial disbursement have now been met. We will expect to receive from you a request for letter of commitment to finance the engineering contract. Please refer to our Letter of Implementation Nº 4, which explained the Letter of Commitment procedure.

Sincerely yours,

Dwight B. Johnson
Dwight B. Johnson

Deputy Assistant Director
for Capital Development and Industry.

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A. I. D. Mission to Brazil L
c/o American Embassy

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PD-AAB-758

Rio de Janeiro
March 10 ,1967

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Dr. Ataulpho dos Santos Coutinho
Director President
Companhia Estadual de Aguas
da Guanabara - CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, GB

512 - 02 - 521 - 239
Subject: A.I.D. Loan No 512-L-058
CEDAG Maintenance and
Equipment project
Implementation Letter No 6

Dear Dr. Coutinho:

We wish to call your attention that there is a technical error in the Certificate of Registration by the Central Bank of the above captioned loan. The Loan Agreement calls for 35 approximately equal semi-annual installments of principal and interest combined (i.e., level payments of principal and interest). The Registration Certificate is based on 35 approximately equal installments of principal alone, with interest computed separately. This is of course substantially different from an amortization schedule based on level payments of interest and principal combined.

This error has been called to the attention of the Central Bank. Although we are informed that the error does not affect the validity of the Registration Certificate, we request that you seek an appropriate amendment to the certificate in order to avoid any difficulties which might arise in the future.

Sincerely yours,

Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

Rio de Janeiro,
May 31, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President
Companhia Estadual de Águas
da Guanabara - CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, GB

512-22-521-239
Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 7

Dear Dr. Coutinho:

We have received your letters of April 11 and 26, 1967 which contained change order No. 1 and some corrections to the agreement between yourselves and Engineering-Science, Inc.

The changes are hereby approved and we are returning with this letter 5 (five) copies of all the documents, with the A.I.D. approval indicated.

Sincerely yours,



Dwight B. Johnson
Deputy Assistant Director
for Capital Development and Industry

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy

LGP 2-058
5120239 (8)

Rio de Janeiro,
June 20, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President
Companhia Estadual de Aguas
da Guanabara - CEDAG
Rua Sao Jose, 100 - 219 andar
Rio de Janeiro, GB

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512-22-521-239
Subject: A.I.D. Loan No. 512-L-050
Implementation Letter No. 6

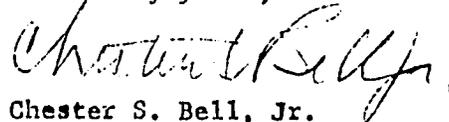
Dear Dr. Coutinho:

As you know, Amendment No. 1 to the Loan Agreement provides that A.I.D. will finance the cruzeiro as well as dollar costs of technical assistance for the project. To obtain disbursements for such cruzeiro costs, we will be pleased to receive from you from time to time requests to make available an amount of cruzeiros in accordance with the provisions of your contract with the engineering consultant. Each such request should be supported by documentation prescribed in Attachment A, hereto. Until further notice, such disbursements will be made from funds generated under the Special Letter of Credit Implementation Agreement between the Banco Central da Republica do Brasil, the Banco do Brasil S.A. and A.I.D., dated July 15, 1965 and amended on November 10, 1965. Cruzeiro disbursements hereunder shall be charged against the loan at the rate at which A.I.D. acquired the cruzeiros pursuant to the respective Special Letter of Credit amendment thereto.

In conformity with Section 7.02 of the Loan Agreement, "other forms of disbursement" than the arrangements set forth in Section 7.01 must be mutually agreed to by the Borrower and A.I.D. To confirm your agreement with the cruzeiro cost disbursement procedure, please sign below in the place provided on two copies of this Implementation Letter, returning them to this office. We also request that you inform us if you wish to make payments to the contractor directly with your own funds for subsequent reimbursement by A.I.D. or whether you prefer A.I.D. to make direct payment to the contractor.

We hope you will call us if we can provide any additional information or clarification.

Sincerely yours,



Chester S. Bell, Jr.
Acting Deputy Assistant Director
for Capital Development and Industry

AGREED

Director-President, CEDAG

Date

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AGENCY FOR INTERNATIONAL DEVELOPMENT
United States A.I.D. Mission to Brazil
c/o American Embassy
Rio de Janeiro

7.6 20
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August 8, 1967

PA-AAB - 758

Dr. Ataulpho dos Santos Coutinho
Director-President, Companhia Estadual
de Aguas da Guanabara - CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, Guanabara

Subject: A.I.D. Loan No. 512-I-058
Implementation Letter No. 10

Dear Dr. Coutinho:

The purpose of this letter is to amplify on Section 4.12 of the Loan Agreement dealing with technical reporting.

Pursuant to Section 4.12 the Borrower is requested to provide A.I.D. with quarterly reports on the progress of the Project. We request that you adopt a reporting system which will provide information on the physical and financial progress in carrying out your Project.

The general format and graphic material used in preparing this report should be the same as that used in the Detailed Implementation Plan as outlined in Implementation Letter No. 2. We wish to call to your attention the importance of the prompt submission of the Detailed Implementation Plan, in order that the progress achieved during the calendar quarter ending on September 30, 1967 can be measured against this Project Plan.

The quarterly reports should: demonstrate the overall progress accomplished and relate it to the scheduled or projected progress, thus indicating whether the Project is on time or behind schedule; if behind schedule, describe the cause, degree and steps being taken to bring it back to schedule; describe any changes in the anticipated completion date. The reports should include also a description of all the work completed to date, including the status of procurement, engineering services, training and personnel recruitment, organizational planning, progress payments, construction and installation contracts signed or contemplated, equipment and material deliveries, construction and installation work.

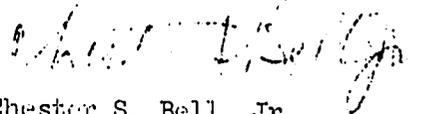
In addition, please report on any problems, especially those which may require material departures from the work which has been originally planned or the continued availability of funds required to complete the Project.

The first progress report should cover the calendar quarter ending on September 30, 1967, and should be mailed or delivered to A.I.D. by October 31, 1967. In this first progress report you are requested to cover, for each major phase of your expansion program financed under the A.I.D. loan, all activities from the inception of the Project. From time to time A.I.D. may request reports which describe progress made and problems encountered in other, related, non-A.I.D. financed CEDAG expansion and improvement activities of which the A.I.D. financed Project is a part.

Attachment A (Reporting Requirements) is intended for your guidance and details the USAID reporting requirements discussed above. This attachment should be used in conjunction with the Detailed Implementation Plan in the preparation of your reporting format. We strongly suggest that your staff consult with us when preparing this format.

Quarterly progress reports covering subsequent calendar quarters, should be submitted within thirty (30) days of the close of the reporting period until the Project is physically completed, all disbursements for the Project are effected and performance guarantees, if any, met. At that time, the last quarterly report, which is to be a completion report following substantially the same outline, should be submitted summarizing all activities accomplished under the Loan. The final report should also provide a complete history of the Project including a comparison between original estimated costs and time of completion and actual costs and completion time for each major phase of the Project.

Sincerely yours,



Chester S. Bell, Jr.
Acting Deputy Asst. Director for
Capital Development and Industry

058
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PD-AAB-758

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States - A.I.D. Mission to Brazil
Rua Melvin Jones, 5 - Rio de Janeiro, GB

November 13, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara
C E D A G
Rua São José, 90
Rio de Janeiro, GB

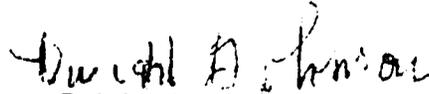
Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 11

Dear Dr. Coutinho:

We have received your letter of October 26, 1967, requesting the issuance of a letter of commitment to cover the cost of equipment procurement under the above referenced loan, as well as Eng. Souza Mello's letter of October 27, 1967, requesting an extension of the terminal date for meeting conditions precedent under Section 3.02 of the Loan Agreement until November 27, 1967.

With respect to the extension of the terminal date, it is hereby extended to November 27, 1967. With respect to the issuance of the letter of commitment, however, the conditions precedent enumerated in Section 3.02 must be satisfied prior to the issuance of any letter of commitment under the loan for any purpose other than to finance engineering services. Still unfulfilled are Sections 3.02 (b) Detailed Implementation Plan and 3.02 (c) Equipment and Spare Parts Inventory. Once these conditions have been met by CEDAG we will be pleased to expedite the issuance of the letter of commitment requested in your letter.

Sincerely yours,



Dwight B. Johnson
Deputy Asst. Director for
Capital Development and Industry

File 258

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PD-AAB-758

AGENCY FOR INTERNATIONAL DEVELOPMENT
United States - A.I.D. Mission to Brazil
Rua Melvin Jones, 5 - Rio de Janeiro, GB

Rio de Janeiro,
December 19, 1967

Dr. Ataulpho dos Santos Coutinho
Director-President, CEDAG
Rua São José, 90
Rio de Janeiro, GB

512-22-521-237

Subject: A.I.D. Loan No. 512-L-053
Implementation Letter No. 12

Dear Dr. Coutinho:

I am pleased to inform you that Sections 3.02 (b) and 3.02 (c), the last two conditions precedent outstanding, have now been fulfilled, and we are requesting the issuance of the Letter of Commitment previously requested by CEDAG.

To allow for the fulfillment of these conditions, and pursuant to your letter request dated December 1, 1967, the terminal date for the fulfillment of conditions precedent to disbursement was extended to December 15, 1967.

Sincerely yours,

Dwight B. Johnson
Dwight B. Johnson

Deputy Asst. Director for
Capital Development and Industry



5120239 (12)
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL PD-AAB-758

RUA MELVIN JONES N.º 6 - RIO DE JANEIRO - TEL.: 31-5820

April 5, 1968

Dr. Ataulpho dos Santos Coutinho
Director-President
CEDAG - Cia. Estadual de Águas da Guanabara
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-058
CEDAG - Shipping Reports,
Markings and Signs
Implementation Letter No.13

Dear Dr. Coutinho:

This letter sets forth A.I.D.'s requirements for shipping reports, signs at the project sites and marking requirements for goods and shipping containers.

For your guidance we are enclosing the following:

1. Borrower Shipping Statement - Attachment N
2. Marking Requirements, Goods and Shipping Containers - Attachment J
3. Signs at Project Sites - Attachment K

Borrower Shipping Statement

Section 6.9 of the Loan Agreement requires that at least 50% of the gross tonnage of all goods procured from the United States and financed under the loan should be transported on private-owned United States-flag commercial vessels. Once shipments begin, a report will be required on a quarterly basis, showing the distribution of gross tonnage shipped on U.S. and on non-U.S. flag vessels. A suggested format is shown in Attachment N. The shipping statement may be included as part of the regular Quarterly Progress Report.

We are aware that CEDAG may be committed to ship the remaining 50% by Brazilian-flag vessels. If shipments are to include several very heavy pieces of equipment, a precise division of weight between United States and Brazilian-flag vessels may be difficult so that advance planning is called for. When the share required

*Standard
only 1 set
needed*

for United States-flag vessels falls below 50% the report should indicate how the deficit will be recovered.

Marking Requirements - Goods and Shipping Containers

Section 6.10 of the Loan Agreement requires that goods financed under this Alliance for Progress Loan be so marked. These requirements for marking are described in Attachment J, which also includes a suggested source of supply for official emblems. Proper marking is a responsibility of CEDAG. To conform with this requirement, we suggest that you include provisions in your purchase orders so that suitable emblems may be affixed to the equipment and apparatus by the manufacturers prior to shipment.

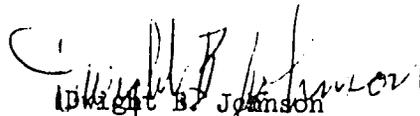
The purpose of these markings is to publicize the participation of the American people in the Alliance for Progress-partners with Brazil in this undertaking. It is important that this publicity be given in the United States as well as Brazil. Therefore, manufacturers should be encouraged to apply the markings as early as possible during fabrication so that the general public may be made aware of the multi-national partnership.

Shipping containers, crates, and/or the product itself, as appropriate, should be marked, preferably in the most visible manner.

Signs at Project Sites

Section 6.10 of the Loan Agreement also requires that the Project Site be identified by the Borrower. Signs should be displayed and maintained throughout the life of the Project. Signs should incorporate the Hand-Clasp and the Alliance for Progress symbols. The requirements for signs are described in Attachment K. It is suggested that the proposed location of signs be discussed with the UBAID Engineering Office prior to erection.

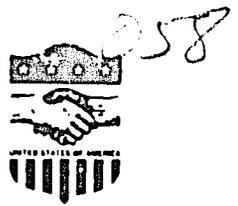
Sincerely yours,


Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

Attachments: a/s



5120239 (13)
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL PD-AAB-758

RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL: 31-5820

April 9, 1968

RC

Dr. Ataulpho dos Santos Coutinho
Director-President, CEDAG
Rua São José, 90
Rio de Janeiro, BR

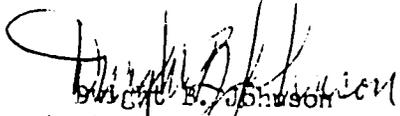
512-22-521-239
Subject: A.I.D. Loan No. 512-L-058
Amendment of Registration
Implementation Letter No. 14

Dear Dr. Coutinho:

We have reviewed the Central Bank registration certificates of the above referenced Loan Agreement. Our Brazilian Counsel, however, has informed us that an amendment is necessary. I believe the enclosed draft letter to the Central Bank is self-explanatory.

If the letter meets with your approval, please fill in the appropriate blank spaces and forward it to the Central Bank. Please send us a copy of your transmittal letter to the Central Bank. Additionally, please provide us with a copy of the amended registration no later than May 30, 1968.

Sincerely yours,


Dwight B. Johnson
Deputy Assistant Director for
Capital Development and Industry

Encl.



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL PD-AAB-758



5120239 (14)

RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5820

September 27, 1968

Dr. Ataulpho dos Santos Coutinho
President of CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No.15

Dear Dr. Coutinho:

I am pleased to advise you that A.I.D. hereby approves Change Order No. 2, dated September 23, 1968, to the contract between Engineering Science, Inc. and CEDAG, extending the contract until July 31, 1969, and increasing the scope of engineering services.

We are returning with this letter three copies, in both English and Portuguese, of the Change Order with the A I.D. approval indicated.

Sincerely yours,

L. V. Perez
Assistant Director for
Capital Development and Industry



5120239 (15) *Mr. Fehring*

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 81-5820

PD-AAB-758

October 14, 1968

file

Dr. Ataulpho dos Santos Coutinho
President of CEDAG - Cia. Estadual
de Aguas da Guanabara
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 16

Dear Dr. Coutinho:

In response to your letter-request of October 7, 1968, please be advised that the terminal date for Letters of Commitment or amendments thereto under the subject loan is hereby extended to March 31, 1971, and the terminal date for disbursement is hereby extended to June 30, 1971.

It is noted that this extension is necessary because of the time required to complete the various phases of the contract with the Bristol Company for the manufacture and installation of Flow Measuring and Telemetry Equipment.

Sincerely yours,

E. V. Perez
E. V. Perez,
Assistant Director for
Capital Development and Industry



5120239
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL: 31-5820

PD-AAB-758

December 3, 1968

Dr. Ataulfo dos Santos Coutinho
President of CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 17
Special Rate Covenant

Dear Dr. Coutinho:

Section 5.01 of the subject loan agreement provides that CEDAG shall promptly, and not less than once a year, take all such actions as necessary to insure that its tariffs and charges are set and maintained at levels sufficient to cover:

- i. All operating expenses, including maintenance;
- ii. all interest and principal payments on its debt;
- iii. adequate working capital requirements and reserves; and
- iv. a contribution of not less than 40% of the estimated five-year average annual capital expenditures for expansion and rehabilitation of its system.

In order to verify that this covenant is being observed, it is requested that CEDAG furnish A.I.D. with a semi-annual financial report, in three copies, equivalent to that prepared for the Inter-American Development Bank, and containing up-dated cash flow projections.

Sincerely yours,

L. V. Perez,
Assistant Director for
Capital Development and Industry



5120239

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL
USAID/BRASIL



RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL: 31-5820

February 3, 1969

PD-AAA-755

Dr. Ataulfo dos Santos Coutinho
Director-President - Cia. Estadual de
Águas da Guanabara
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan No. 512-L-058
Implementation Letter No. 18

Dear Dr. Coutinho:

The purpose of this letter is to advise you of certain corrections which need to be made in the registration of the subject Loan with the Central Bank and in the authorization by the Federal Senate to assume this obligation.

In the case of the Central Bank Certificate of Registration No. 21-4583-866, dated December 27, 1967, the amount of the debt registered is \$2,877,000, while Amendment No. 2 to the subject Loan Agreement increased the amount of the Loan to CEDAG to \$2,925,000. With respect to the authorization of the Federal Senate to contract external debt, the authority granted was for a loan of \$2,552,000. While it should be noted that this amount was less than the \$2,600,000 amount of the original Loan Agreement, more importantly, this Federal authorization was not increased at the time the original Loan was amended to increase the amount to \$2,925,000.

Until these two documents are amended so as to correspond to the amount of the amended Loan Agreement, A.I.D. cannot commit funds under the Loan in excess of the amount authorized by the Senate or registered by the Central Bank, in this case \$2,552,000. Therefore, based on our understanding that CEDAG will require all of the funds available under the subject Loan, it is requested that you take the steps necessary to amend the Federal authorization and the Central Bank registration to cover the full amount of the Loan.

Copies of these amendments should be submitted to A.I.D. by March 31, 1969, after which date the amount of funds which can be committed under the Loan will be reduced to the amount authorized by the Senate or registered by the Central Bank, whichever is less.

Sincerely yours,

L. V. Perez
Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL

5120239

18



RUA MELVIN JONES Nº 5 - RIO DE JANEIRO - TEL.: 31-5220

PD-AAA-758

September 9, 1969

Dr. Geraldo Reis de Carvalho:
Superintendent, Sursan
Rua Fonseca Teles, 121 - 16º
Rio de Janeiro, GB

Subject: A.I.D. Loan Nº 512-L-058
Implementation Letter Nº 18

Dear Dr. Carvalho:

This letter is in response to the August 14, 1969 letter request of
Eng. Jorge França to Mr. L.V. Perez of USAID.

I am pleased to advise you that the terminal date for disbursement
under the above referenced loan is hereby extended to December 31, 1970,
provided however, that this extension shall only permit disbursements
related to the training program described in Eng. França's letter and
provided for in Letter of Commitment Nº 512-L-05702.

Sincerely yours,

Dwight B. Johnson

Assistant Director for
Capital Development and Industry



5120239 (19)
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL



USAID/BRASIL

RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5820

PD-AAB-758

June 30, 1969

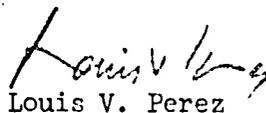
Dr. Ataulfo dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara __ CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan N° 512-L-058
Implementation Letter N° 20

Dear Dr. Coutinho:

In response to your letter request of June 24, 1969, I am pleased to advise you that the terminal date for fulfillment of the conditions set forth in Implementation Letter N° 18 is hereby extended to July 30, 1969.

Sincerely yours,


Louis V. Perez

Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5620

PD-AAB-758

JUL 29 1969

Dr. Ataulfo dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara - CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan Nº 512-L-058
Implementation Letter Nº 21
Final Report

Dear Dr. Coutinho:

In accordance with Section 4.12 of the Loan Agreement, it is requested that the Borrower prepare the Final Report on the CEDAG Project, which is now substantially completed. The Final Report should include a complete history of the project from its beginning through July 31, 1969. Please submit the Report to A.I.D., in six copies, by August 15, 1969.

Enclosed is one copy of USAID/Brazil Guidelines for Final Reports on A.I.D. Financed Construction-Type Projects. Your Final Report should be prepared in accordance with these instructions insofar as they apply to the CEDAG Project. In those cases in which the information or material requested has already been submitted to A.I.D. in previous reports (e.g., photographs of installations, diagrams, maps, etc.), it is sufficient to reference this material and its location in the pertinent report. As indicated in Section II.B.1 of the attached Guidelines, quarterly progress reports on the still uncompleted procurement of certain items of equipment should continue until all equipment financed under the Loan has been installed and accepted by CEDAG.

If you have any questions regarding the Final Report, please do not hesitate in contacting this Office or the Office of Engineering and Natural Resources.

Sincerely yours,

G.R. Van Raalte

Deputy Assistant Director for
Capital Development and Industry

Encl. a/s



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 51-5820

PD-AAB-758

August 29, 1969

Dr. Ataulfo dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara - CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan Nº 512-L-058
Implementation Letter Nº 23

Dear Dr. Coutinho:

We have been informed by Dr. Antonio de Souza Melo that the CEDAG request of June 24, 1969 to the Central Bank to amend the Certificate of Registration to increase the amount of the above-referenced loan, in accordance with the terms of Implementation Letter Nº 18, has been misplaced by the Central Bank. However, Dr. Souza Melo also stated that amended registration of the amount of the CEDAG loan could be accomplished as a part of a similar amendment to the A.I.D. loan to SURSAN, the documentation of which is currently under study in the Central Bank. Based on the foregoing, A.I.D. hereby approves your request to extend the terminal date for fulfillment of the conditions set forth in Implementation Letter Nº 18 to September 30, 1969.

Sincerely yours,

Dwight B. Johnson

Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL



RUA MELVIN JONES N.º 5 - RIO DE JANEIRO - TEL.: 31-5020

PD-AAA-758

September 19, 1969

Dr. Ataulfo dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara - CEDAG
Rua São José, 90
Rio de Janeiro, GB

Subject: A.I.D. Loan Nº 512-L-058
Implementation Letter Nº 24

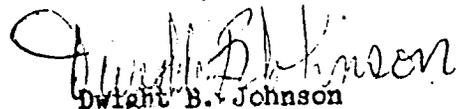
Dear Dr. Coutinho:

The Agency for International Development has recently adopted a new policy for all loans regarding A.I.D. financed procurement which affects the procedures required under formal competitive bidding for equipment and/or materials.

- a) Invitations for Bids hereafter issued with respect to A.I.D. financed procurement by foreign borrowers or grantees under formal competitive bid procedures will hold bidders responsible for assuring that their bids are actually received on time at the place and office designated in the invitation.
- b) Under this new policy, a late bid will not be considered even though it became late because of factors beyond the bidder's control, such as delays in mail handling, telegraphic transmission, or customs clearance. Late bids may be considered only when such bids are received at the place designated prior to award and when they became late bids because of mishandling by the purchaser, his employees, or his agents.

In each Invitation for Bids to be issued after receipt of this notice, please include a statement that bids received at the address designated in the Invitation after closing hour of the day for submission will not be considered for award unless the sole cause for its becoming late was mishandling on the part of the purchaser, his employees, or his agents. In no case will the purchaser consider a bid which was received at the designated address after the award was made.

Sincerely yours,


Dwight B. Johnson

Assistant Director for
Capital Development and Industry



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
AGÊNCIA NORTE-AMERICANA PARA O DESENVOLVIMENTO INTERNACIONAL

USAID/BRASIL

5120239

(23)



RUA MELVIN JONES N.º 5 • RIO DE JANEIRO - TEL: 31-6220

PD-AAB-758

October 1, 1969

Dr. Ataulfo dos Santos Coutinho
Director-President
Cia. Estadual de Águas da Guanabara - CEDAG
Rua São José, 90 - 21º
Rio de Janeiro, GB

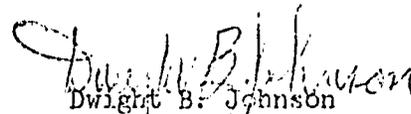
Subject: A.I.D. Loan Nº 512-L-058
Implementation Letter Nº 26

Dear Dr. Coutinho:

I am pleased to advise you that A.I.D. hereby approves Change Order Nº 3 to the contract between Engineering Science, Inc. and CEDAG.

We are returning with this letter six copies of the Change Order with the A.I.D. approval indicated.

Sincerely yours,


Dwight B. Johnson

Assistant Director for
Capital Development and Industry

Encl. a/s

5120239

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209.

PD-AAB-758

PAYMENT AND GUARANTY AGREEMENT

Between the

UNITED STATES OF BRAZIL

and the

UNITED STATES OF AMERICA

In Connection With A.I.D. Loan No. 512-L-058

CEDAG Maintenance Equipment Project

512-22-521-239

Dated: September 12, 1966

ALLIANCE FOR PROGRESS
PAYMENT AND GUARANTY AGREEMENT

PAYMENT AND GUARANTY AGREEMENT, in furtherance of the Alliance for Progress, dated September the 12th , 1966, between the GOVERNMENT OF THE UNITED STATES OF BRAZIL ("Government") and the GOVERNMENT OF THE UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

ARTICLE I

Definitions and Terms

SECTION 1.1. The Loan Agreement. The Loan Agreement, numbered A.I.D. Loan No. 512-L-058, between the Companhia Estadual de Aguas da Guanabara - CEDAG and A.I.D., dated August 18, 1966, establishing a loan to the Borrower with a total Principal of not to exceed \$2,600,000 (two million six hundred thousand United States dollars) is herein called the "Loan Agreement", and the loan established thereby is herein called the "Loan".

SECTION 1.2. Principal. As used in this Agreement, "Principal" means the aggregate amount of dollars disbursed under the Loan Agreement.

SECTION 1.3. Transferred Principal. As used in this Agreement, "Transferred Principal" means Principal paid by Borrower to Government pursuant to Section 2.04 of the Loan Agreement and Section 2.1 of this Agreement.

SECTION 1.4. Outstanding Transferred Principal. As used in this Agreement, "Outstanding Transferred Principal" means Transferred Principal not repaid to A.I.D. by Government.

SECTION 1.5. Government Interest Rate. As used in this Agreement, "Government Interest Rate" means interest at one (1) per cent for ten (10) years following the first disbursement under the Loan Agreement, and two and one-half (2½) per cent thereafter.

SECTION 1.6. Government Amortization Terms. As used in this Agreement, "Government Amortization Terms" means amortization over not more than forty (40) years, in sixty-one (61) semi-annual installments, the first of which shall be due and payable not later than ten (10) years after the first disbursement under the Loan Agreement, on a date to be specified by A.I.D. The amount of each installment shall be determined by dividing the total amount of the Government's obligation to repay outstanding Principal to A.I.D. immediately before paying that installment by the number of installments remaining to be paid at that time.

ARTICLE IISpecial Procedure for Borrower'sPayments to Government

SECTION 2.1. Receipt of Borrower's Payments. Pursuant to Section 2.04 of the Loan Agreement, the Government and A.I.D. hereby agree that the Government shall receive from the Borrower payments in Brazilian currency ("Cruzeiros") in discharge of the Borrower's obligations to make payment in United States dollars under the Loan Agreement ("Special Payment Procedure").

SECTION 2.2. Notice.

a. Upon satisfactory completion of the conditions precedent set forth in Article X of this Agreement, A.I.D. shall notify the Borrower in accordance with the Loan Agreement that the Special Payment Procedure is in effect.

b. Promptly upon receipt thereof Government shall notify A.I.D. of all payments received from Borrower in accordance with this Agreement.

SECTION 2.3. Exchange Rate. The Cruzeiro equivalent of the dollar amount which a Borrower would be obligated to pay to A.I.D. in dollars if this Agreement were not in effect shall be calculated at whichever rate of exchange would be employed by the Central Bank of Brazil if the Borrower were obtaining dollars for payments directly to A.I.D. pursuant to the Loan Agreement.

SECTION 2.4. Denomination of Borrower's Payments. Although payable to Government in Cruzeiros, all payments by Borrower to Government shall, immediately upon receipt by Government, be denominated in dollars employing the exchange rate specified in or

pursuant to Section 2.3.

SECTION 2.5. Use of Borrower's Payments - Special Account.

The Government shall deposit the Borrower's payments in a separate account which the Government shall establish in the Central Bank of Brazil or such other Bank as the Government and A.I.D. may agree upon ("Special Account"). Unless A.I.D. agrees otherwise in writing, such account shall be drawn upon by the Government for the purpose of meeting payment obligations to A.I.D. pursuant to this Agreement or for such purposes beneficial to the economic and social development of Brazil consistent with the goals of the Alliance for Progress as shall be mutually agreed to in writing by the Government, or such organization as it may designate, and A.I.D. Provided, however, that the provisions of this Section shall in no way limit, modify or alter Government's obligation to make payment to A.I.D. pursuant to this Agreement.

ARTICLE IIIDeferred Payment by Government to A.I.D.

SECTION 3.1. Scope. The provisions of this Article III shall apply unless and until A.I.D. invokes the guaranty set forth in Article IV.

SECTION 3.2. Interest Payments - Interest on Untransferred Principal. Immediately upon receipt of any interest payment from the Borrower, Government shall pay to A.I.D. the lesser of the following two amounts: (i) an amount equal to the interest which Borrower would have been obligated to pay to A.I.D. if Borrower's interest obligation had been computed at the Government Interest Rate; or (ii) the amount of interest actually received from the Borrower.

SECTION 3.3. Interest Payments - Interest on Transferred Principal. In addition to the obligations set forth in Section 3.2, Government shall pay to A.I.D. interest at the Government Interest Rate, on Outstanding Transferred Principal and on any interest due and payable by Government to A.I.D. Interest on Outstanding Transferred Principal shall accrue from the dates on which Principal payments are received from Borrower by Government, and shall be payable to A.I.D. semi-annually, the first such payment to be made on a date to be specified by A.I.D., which date shall be no later than six (6) months after interest on Outstanding Transferred Principal begins to accrue.

SECTION 3.4. Amortization of Transferred Principal. Government agrees to pay to A.I.D. all Transferred Principal in accordance with the Government Amortization Terms.

SECTION 3.5. Use of Balances. All amounts representing

- i. difference between interest paid by Borrower to Government in accordance with Section 2.1, and interest payable by Government to A.I.D. pursuant to this Agreement; and
- ii. difference between the total amount of Transferred Principal and Transferred Principal due and payable by Government to A.I.D. pursuant to this Agreement;

shall remain available to Government for use in accordance with Section 2.5.

ARTICLE IVIndependent GuarantySECTION 4.1. Guaranty.

a. The Government unconditionally and absolutely, jointly and severally as primary obligor with the Borrower, undertakes to make, in accordance with the terms of the Loan Agreement, due and punctual payment of the Principal, interest and any other payment required of the Borrower under the Loan Agreement.

b. The Government shall furnish such information and take such steps, related to making this Guaranty operative as A.I.D. may reasonably request.

c. The Government agrees to remain bound under this Agreement notwithstanding the extension of time of performance to, the granting of any other indulgency to, or any other modification of any obligation of the Borrower under the Loan Agreement.

d. A.I.D. may invoke the foregoing guaranty upon the occurrence of any Event of Default as defined in the Loan Agreement, by delivery of notice to the Government. Except as otherwise provided in Section 4.4, upon delivery of such notice and until such time as A.I.D. may otherwise agree in writing, Government shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with Sections 4.2 and 4.3.

SECTION 4.2. Amortization. In the event that the Guaranty is invoked by A.I.D., the Government shall pay to A.I.D. the Principal amount that the Borrower is obligated to pay to A.I.D. pursuant to Section 2.02 of the Loan Agreement ("Repayment"), whether or not Borrower has discharged said obligation by payments to Government in Cruzeiros in accordance with Section 2.04 of the Loan Agreement and Section 2.1 of this Payment and Guaranty Agreement. Such payments by Government to A.I.D. shall be in accordance with the Government Amortization Terms.

SECTION 4.3. Interest. In the event that the Guaranty is invoked by A.I.D., Government shall pay to A.I.D. interest at the Government Interest Rate on any Principal which has not been repaid to A.I.D., and on any interest due to A.I.D. Such interest shall accrue from the dates of the respective disbursements by A.I.D. under the Loan Agreement, and shall be payable on a date to be specified by A.I.D.

SECTION 4.4. Independent Nature of Guaranty. The Guaranty established in Section 4.1 shall remain in full force and effect whether or not the Special Payment Procedures established by Section 2.1 and other provisions of this Agreement are, for any reason, terminated. In the event such Procedures are, for any reason, terminated, and the Guaranty is invoked by A.I.D., the provisions of Sections 4.2 and 4.3 shall cease to apply and Government shall meet its obligations to A.I.D. under this Article by making payments to A.I.D. in accordance with the Loan Agreement and Section 4.1 of this Agreement.

ARTICLE VGovernment Payments - General

SECTION 5.1. Currency of Payments. All payments by Government to A.I.D. shall be in United States dollars.

SECTION 5.2. Place of Payments. All payments by Government to A.I.D. shall be deemed to have been paid when delivered to the Controller, Agency for International Development, Washington, D.C., or to such other address as A.I.D. may specify.

SECTION 5.3. Application of Payments. All payments by Government to A.I.D. shall be applied first to the payment of any interest due from Government to A.I.D. and unpaid, and then to the repayment of Principal due from Government to A.I.D.

SECTION 5.4. Prepayment. The Government shall have the right to prepay without penalty at any time, all or any part of the Outstanding Transferred Principal. Any prepayment shall be applied in the order prescribed in Section 5.3 and amounts applied to the remaining installments of Outstanding Transferred Principal shall be applied pro rata to such installments.

SECTION 5.5. Renegotiation of Terms. In the light of the undertakings of the Government of the United States of America, the Government and the other signatories of the Act of Bogota and the Charter of Punta del Este to join in an Alliance for Progress, the Government agrees that at any time or times when it is requested to do so by A.I.D. under this Section, but not sooner than six (6)

months before the date on which the first installment of Outstanding Transferred Principal is payable under Section 3.4 of this Agreement, it will negotiate with A.I.D. concerning the acceleration of payments required to be made to A.I.D. pursuant to this Agreement. The parties hereto shall mutually determine to what extent repayment should be accelerated on the basis of one or more of the following criteria:

- a. The capacity of the Government to service a more rapid liquidation of its obligations in the light of the financial position of Brazil, taking into account debts owing to any agency of the United States of America or to any international organization of which the United States of America is a member or to other long term international lenders.
- b. The relative capital requirements of the Government and of the other signatories of the Act of Bogota and of the Charter of Punta del Este.

SECTION 5.6. Interest Computations on 365-Day Year Basis.

Interest under this Agreement shall be computed on the basis of a 365-day year.

ARTICLE VIAdditional Covenants and Warranties

SECTION 6.1. Information. The Government shall cooperate with A.I.D. in publicizing this Agreement and the Loan Agreement as programs of American aid in furtherance of the Alliance for Progress.

SECTION 6.2. Notice of Adverse Developments. The Government shall promptly inform A.I.D. of any conditions which interfere with, or threaten to interfere with, the carrying out by the Government of its obligations under this Agreement.

SECTION 6.3. Taxation of this Agreement and Payments Hereunder. This Agreement shall be free from, and all payments to A.I.D. made hereunder shall be paid without deduction for and free from, any taxation or fees imposed under all laws of Brazil in effect in its territory.

ARTICLE VIIRecords; Inspections; ReportsSECTION 7.1. Maintenance of Records; Inspections; Reports.

a. The Government shall maintain or cause to be maintained for such time as shall meet the needs of the parties, books and records, including documentation, in accordance with sound accounting principles and practices adequate to identify the payments received pursuant to Section 2.1 hereof, and to identify programs and projects financed by funds disbursed from the Special Account, and indicate the progress of such activities.

b. Such books and records shall be open at all times for examination by authorized representatives of the Government and A.I.D., which procedure is consistent with Article II, Section 5 of the Agreement between the Government of Brazil and the Government of the United States of America signed on May 30, 1953, and subsequently approved by the Brazilian Congress. For this purpose, if the Government and A.I.D. mutually agree, the Government may maintain, within its accounting system, a segregated set of books and records for all transactions specifically related to the Special Account. Examination of the books and records will be carried out in practice by procedures which may include the following whenever mutually agreed to by the Government and A.I.D.:

1. Joint auditing under mutually agreed to conditions.
2. The use of independent auditors selected by Government and acceptable to A.I.D.
3. The inspection outside the premises of the Government of certified documentation relating to the Special Account.

c. The Government shall cooperate with, and give reasonable assistance to, and shall facilitate inspections by A.I.D. with respect to the execution of the activities financed through the Special Account, and shall afford all reasonable opportunity for authorized representatives of A.I.D. to visit any part of the territory of Brazil for purposes related to this Agreement.

d. The Government shall promptly furnish to A.I.D. such financial and other reports and information relating to the covenants of this Agreement or transactions pursuant hereto as A.I.D. may request.

ARTICLE VIIIRemedies of A.I.D.

SECTION 8.1. Grounds for Termination. If any one or more of the following events ("Grounds for Termination") shall occur:

a. Government shall fail to comply with any provision contained herein;

b. A default shall have occurred under any other agreement between Government or any of its agencies and the United States of America or any of its agencies;

c. A.I.D. determines that any representation or warranty made by or on behalf of Government in connection with this Agreement or the negotiations incident thereto, or pursuant to this Agreement is incorrect in any material respect;

d. Any change in the character, capacity or credit-worthiness of the Borrower, or a change in the conduct of the project described in the Loan Agreement, which occurs because Government or any governmental authority in Brazil shall have taken any action for the dissolution or disestablishment of the Borrower or for the suspension of the Borrower's activities or a substantial part thereof, or for the cancellation, substantial amendment or suspension of the right of Borrower to carry out a project;

e. A.I.D. determines that an extraordinary situation has arisen which makes it improbable that the purposes of this Agreement be attained or that Government will be able to perform its obligations hereunder;

f. Continuation of the procedures established herein would be in violation of the law governing A.I.D.:

then, A.I.D., at its option, may declare:

i. all or any part of the Outstanding Transferred Principals and any interest accrued thereon to be due and payable to A.I.D. immediately, specifying which installments thereof, and interest thereon shall become due and payable; and/or

ii. the Special Payment Procedure established herein to be terminated.

Upon any such declaration, unless the cause for termination is cured within sixty (60) days thereafter, such Principal and interest shall become due and payable immediately, and/or the Special Payment Procedure shall be terminated in accordance with the terms of such declaration. Unless A.I.D. otherwise specifies, such termination shall not in any way affect the continued validity of the guaranty contained in Section 4.1.

SECTION 8.2. Waivers of Causes for Termination. No delay in exercising or omission to exercise any right accruing to A.I.D. under this Agreement shall be construed as an acquiescence or as a waiver by A.I.D. of any such rights.

SECTION 8.3. Defaults. For purposes of other agreements between Government and the United States of America or any of its agencies, the occurrence of an event specified in Subsections 8.1(a), (c) or (d) shall be considered an "Event of Default" under this Agreement.

ARTICLE IXMiscellaneousSECTION 9.1. Use of Representatives.

a. All actions required or permitted to be performed or taken under this Agreement by the Government or A.I.D. may be performed by their respective duly authorized representatives.

b. The Government hereby designates the Minister of Finance as its representative with authority to designate in writing other representatives in its dealings with A.I.D. The representatives of the Government named pursuant to the preceding sentence, unless A.I.D. is given notice otherwise, shall have authority to agree on behalf of the Government to any modification of this Agreement which does not substantially increase the Government's obligations hereunder. Until receipt by A.I.D. of written notice of revocation by the Government of the authority of any of its representatives, A.I.D. may accept the signature of such representatives on any instrument as conclusive evidence that any action effected by such instrument is authorized by the Government.

SECTION 9.2. No Prejudice. No provision of this Agreement shall terminate or modify any right of A.I.D. specified in or which may arise pursuant to the Loan Agreement.

SECTION 9.3. Notice. Any notice, request or communication given, made or sent by the Government or A.I.D. pursuant to this Agreement shall be in writing 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 by hand or by mail, telegram, cable or radiogram to such other party at the following addresses:

To the Government:

Mail Address:

Ministerio da Fazenda
Rio de Janeiro
Brasil.

Cable Address:

MINIFAZ
Rio de Janeiro.

To A.I.D. (five copies):

Mail Address:

Office of Capital Development and Industry
Agency for International Development
Embaixada dos Estados Unidos da America
Rio de Janeiro, Brasil.

Cable Address:

USAID
AMEMBASSY
Rio de Janeiro.

Other addresses may be substituted for the above upon the giving of notice and acknowledgement of such substitution.

SECTION 9.4. Effective Date of Payment and Guaranty Agreement.

This Agreement shall enter into effect as of the day and year first above written.

ARTICLE XConditions Precedent

SECTION 10.1. Conditions Precedent to Use of Deferred Payment Procedures. The Special Payment Procedure shall not be employed unless and until Government has furnished A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion or opinions of the highest legal officer of the Ministry of Finance, or of other counsel satisfactory to A.I.D., that this Agreement has been duly authorized or ratified by and executed on behalf of Government, and that this Agreement, and any obligations incurred by Government pursuant hereto do and will constitute valid and legally binding obligations of Government in accordance with their terms;

b. Evidence of the authority of the person or persons who will act as representative or representatives of Government in connection with the operation of this Agreement pursuant to Section 9.1 of this Agreement, together with an authenticated specimen signature of each such person certified as to its authenticity by duly constituted Brazilian authority if said signature has not been heretofore submitted to A.I.D.

SECTION 10.2. Terminal Date for Satisfying Conditions Precedent. If the conditions contained in Section 10.1 of this Agreement have not been satisfied by October 31, 1966, or such later date as A.I.D. may specify, A.I.D. may at any time thereafter terminate the Special Payment Procedure and/or all provisions of this Agreement by giving notice to Government.

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

UNITED STATES OF BRAZIL

By: *Luiz Carlos Prestes*

Title: Minister of Finance

UNITED STATES OF AMERICA

By: *L. Alan G. ...*

Title: Director, USAID/Brazil

LG 13-05-8
5120239 (31)

A.I.D. Loan No. 512-L-058 4p.
512-22-521-239

PD-AAB-758

LOAN AGREEMENT

AMENDMENT No. 1

Between the

COMPANHIA ESTADUAL DE AGUAS DA GUANABARA-CEDAG

O GOVERNO DO ESTADO DA GUANABARA

and the

UNITED STATES OF AMERICA

for the

CEDAG MAINTENANCE EQUIPMENT PROJECT

Dated: May 4, 1967

ALLIANCE FOR PROGRESS

AMENDMENT No. 1 TO LOAN AGREEMENT

AMENDATORY AGREEMENT, in furtherance of the Alliance for Progress, dated the 4th day of May, 1967, between the COMPANHIA ESTADUAL DE AGUAS DA GUANABARA - CEDAG ("Borrower"), O GOVERNO DO ESTADO DA GUANABARA ("State of Guanabara"), and the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.").

WHEREAS Borrower, State of Guanabara and A.I.D. are parties to a Loan Agreement numbered A.I.D. Loan No. 512-L-058, dated August 18, 1966 (hereinafter referred to as "Loan Agreement"), and

WHEREAS the parties desire to amend the Loan Agreement to permit financing from Loan proceeds certain cruzeiro costs;

NOW, THEREFORE, the parties agree as follows:

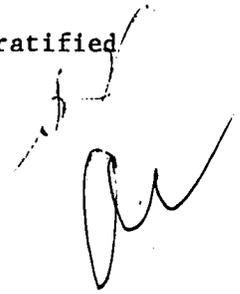
A. Section 1.01 of the Loan Agreement is amended to provide as follows:

"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 two million six hundred thousand United States dollars (US\$2,600,000) ("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 ("dollar costs") of maintenance and related equipment, and the United States dollar and cruzeiro costs of technical assistance required for the Project. The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

B. In all other respects the Loan Agreement is ratified and confirmed.

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be the initials 'JL' followed by a long, sweeping flourish.

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

COMPANHIA ESTADUAL DE AGUAS
DA GUANABARA - CEDAG

By: *[Signature]*
Title: Director President

By: *[Signature]*
Title: Financial Director

UNITED STATES OF AMERICA

By: *[Signature]*
Title: Acting Director

By: _____
Title: _____

THE STATE OF GUANABARA

By: *[Signature]*
Title: Governador

CONCURRENCE:

COORDINATING COMMISSION FOR
THE ALLIANCE FOR PROGRESS

By: *[Signature]*
Title: Ministry of Planning

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

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PD-AA8-758

UNCLASSIFIED

AID-DLC/P-432/2
August 2, 1967

MEMORANDUM FOR THE DEVELOPMENT LOAN COMMITTEE

512-22-521-239

SUBJECT: Brazil - SURSAN (Guanabara Sewerage) Loan - 512-L-057
CEDAG (Guanabara Water) Loan - 512-L-058

Attached for your information are two amended Loan Authorizations to account for a change in the original arrangements regarding a data processing center. The computer to be procured with AID loan funds (about \$325,000) will be used by both borrowers, but CEDAG will be the coordinator and will assume the financial responsibility instead of SURSAN, as originally intended.

Accordingly, the amount of the SURSAN Loan Authorization has been decreased by \$325,000 and the amount of the CEDAG Loan Authorization has been increased by \$325,000. All other terms and conditions of both Loan Authorizations remain unchanged. The loan agreements will also be amended as appropriate.

Rachel C. Rogers
Assistant Secretary
Development Loan Committee

Attachments:

Amended Loan Authorizations

UNCLASSIFIED



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

UNITED STATES COORDINATOR
ALLIANCE FOR PROGRESS

A.I.D. Loan No. 512-L-057
(Ref: AID-DLC/P-432)

LOAN AUTHORIZATION (AMENDED)

Provided from: Alliance for Progress Loan Funds
BRAZIL - SURSAN (Guanabara Sewerage)

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the text of the Loan Authorization of the Agency for International Development No. 512-L-057 (Guanabara Sewerage), dated March 6, 1967, to read as follows:

"Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act to the Sanitation Department of the State of Guanabara ("Borrower") of not to exceed two million one hundred and seventy five thousand United States dollars (\$2,175,000) to assist in financing the United States dollar costs of maintenance, mosquito control, telecommunications, and related equipment, and the United States dollar and Brazilian cruzeiro costs of technical assistance to the Borrower, the foregoing to be used for the maintenance and improvement of the Guanabara Sewer system. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

- (a) Borrower shall repay the loan to the Agency for International Development ("A.I.D.") in United States dollars within twenty (20) years from the first disbursement under the loan, including a grace period of not to exceed three (3) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest of five and one-half percent ($5\frac{1}{2}\%$) per annum.

(b) If prior to the end of the grace period the Government of Brazil ("Government") so elects, the Borrower shall fulfill its dollar obligation under the loan by paying the Government in the currency of Brazil the equivalent, determined as of the time and in a manner satisfactory to A.I.D., of the United States dollar amounts payable to A.I.D. under (a) above and in such event the Government shall pay to A.I.D.:

(i) the equivalent in United States dollars, determined as of the time and in a manner calculated to obtain repayment of all dollars disbursed plus interest, of all amounts paid to Government as follows:

(a) all interest immediately upon receipt subject to Government's rights to retain all payments in excess of one percent (1%) per annum during a grace period of not to exceed ten (10) years from the first disbursement under the loan ("Government grace period") and all payments in excess of two and one-half percent ($2\frac{1}{2}\%$) per annum thereafter;

(b) principal within forty (40) years, including the Government grace period;

(ii) Interest in United States dollars of one percent (1%) per annum during the Government grace period and two and one-half percent ($2\frac{1}{2}\%$) per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.

2. Other Terms and Conditions:

(a) Equipment, materials and services financed under the loan shall be procured from the United States of America except that technical services may be procured from either the United States of America or Brazil.

(b) United States dollars utilized to finance Brazilian cruzeiro costs shall be made available through Special Letter of Credit procedures and shall be used only for procurement in the United States.

- (c) The loan shall be guaranteed by Government.
- (d) Borrower shall employ qualified technical consultants, satisfactory to A.I.D., to advise and assist in carrying out the project.
- (e) Prior to first disbursement, Borrower shall provide evidence satisfactory to A.I.D. that its financial contributions to the project will be made available as needed, and that funds will be available for maintenance of equipment purchased under the loan and for continuing operations of the Borrower.
- (f) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable."



Acting Deputy U. S. Coordinator
Alliance for Progress
JUL 31 1967

Date



DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT

Washington, D. C. 20523

UNITED STATES COORDINATOR
ALLIANCE FOR PROGRESS

A.I.D. Loan No. 512-L-058
(Ref: AID-DLC/P-432)

LOAN AUTHORIZATION (AMENDED)

Provided From: Alliance for Progress Loan Funds
BRAZIL: CEDAG (Guanabara Water)

Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby amend the text of the Loan Authorization of the Agency for International Development No. 512-L-058 (Guanabara Water), dated March 6, 1967, to read as follows:

"Pursuant to the authority vested in the Deputy U. S. Coordinator, Alliance for Progress, by the Foreign Assistance Act of 1961, as amended, and the delegations of authority issued thereunder, I hereby authorize the establishment of a loan pursuant to Part I, Chapter 2, Title VI, Alliance for Progress, of said Act to the Guanabara Water Company ("Borrower") of not to exceed two million nine hundred and twenty-five thousand United States dollars (\$2,925,000) to assist in financing the United States dollar costs of maintenance, computer, and related equipment, and the United States dollar and Brazilian cruzeiro costs of technical assistance to the Borrower, the foregoing to be used for the maintenance and improvement of the Guanabara water system and to purchase a computer to be used by both Borrower and the Superintendency of Urbanization and Sanitation. This loan shall be subject to the following terms and conditions:

1. Interest and Terms of Repayment:

- (a) Borrower shall repay the loan to the Agency for International Development ("A.I.D.") in United States dollars within twenty (20) years from the first disbursement under the loan, including a grace period of not to exceed three (3) years. Borrower shall pay to A.I.D. in United States dollars on the disbursed balance of the loan interest of five and one-half percent ($5\frac{1}{2}\%$) per annum.
- (b) If prior to the end of the grace period the Government of Brazil ("Government") so elects, the Borrower shall fulfill its dollar obligation under the loan by paying the Government in the currency of Brazil the equivalent, determined as of the time and in a manner satisfactory to A.I.D., of the United States dollar amounts payable to A.I.D. under (a) above and in such event the Government shall pay to A.I.D.:

- (i) The equivalent in United States dollars, determined as of the time and in a manner calculated to obtain repayment of all dollars disbursed plus interest, of all amounts paid to Government as follows:
 - (a) All interest immediately upon receipt subject to Government's right to retain all payments in excess of one percent (1%) per annum during a grace period of not to exceed ten (10) years from the first disbursement under the loan ("Government grace period") and all payments in excess of two and one-half percent (2½%) per annum thereafter;
 - (b) principal within forty (40) years, including the Government grace period;
 - (ii) interest in United States dollars of one percent (1%) per annum during the Government grace period and two and one-half percent (2½%) per annum thereafter on all amounts of outstanding principal paid by Borrower to Government from the respective dates of such payments of principal.
2. Other Terms and Conditions:
- (a) Equipment, materials and services financed under the loan shall be procured from the United States of America except that technical services may be procured from either the United States of America or Brazil.
 - (b) United States dollars utilized to finance Brazilian cruzeiro costs shall be made available through Special Letter of Credit procedures and shall be used only for procurement in the United States.
 - (c) The loan shall be guaranteed by Government.
 - (d) Borrower shall employ qualified technical consultants, satisfactory to A.I.D., to advise and assist in carrying out the project.
 - (e) Prior to first disbursement, Borrower shall provide evidence satisfactory to A.I.D. that its financial contributions to the project will be made available as needed, and that funds will be available for maintenance of equipment purchased under the loan and for continuing operations of the Borrower.

(f) The loan shall be subject to such other terms and conditions as A.I.D. may deem advisable.

Philip A. Kamm
Acting Deputy U.S. Coordinator
JUL 31 1967
Date

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A.I.D. Loan No. 512-I-058

LOAN AGREEMENT

Between the

COMPANHIA ESTADUAL DE AGUAS DA GUANABARA-CEDAG

O GOVERNO DO ESTADO DA GUANABARA

and the

UNITED STATES OF AMERICA

for the

CEDAG MAINTENANCE EQUIPMENT PROJECT

512-22-521-239

Dated: August 18, 1966

LOAN AGREEMENT Dated August 18, 1966
between COMPANHIA ESTADUAL DE ÁGUAS DA GUANABARA-CEDAG ("Borrower"),
O GOVERNO DO ESTADO DA GUANABARA ("State of Guanabara") 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 two million six hundred thousand United States dollars (\$2,600,000) ("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"). The aggregate amount of disbursements under the Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Project. The Project shall consist of the improvement of the service capacity of the Borrower through:

- i. the acquisition by Borrower of specialized repair and maintenance and flow measuring equipment, a fluid network analyser, equipment for a telemetering and telecommunications control system, and related spare parts; and
- ii. technical consulting services to the Borrower.

The Project is more fully described in Annex 1, attached hereto, which Annex may be modified in writing by agreement between Borrower and A.I.D. The goods and services to be financed under the Loan shall be listed in the implementation letters referred to in Section 9.03 ("Implementation Letters").

ARTICLE II

Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of five and one-half percent (5 1/2%) per annum on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.03), 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 A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within twenty (20) years from the date of the first disbursement hereunder in thirty-five (35) approximately equal semi-annual installments of principal and interest. The first installment of Principal shall be payable two and one-half (2 1/2) years after the date of 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 disbursement under the Loan.

SECTION 2.03. Application, Currency and Place of Payment. Except as otherwise provided in Section 2.04, all payments of interest and Principal hereunder shall be made in United States dollars. All payments shall be applied first to the payment of interest due and

then to the repayment of Principal. Except as otherwise provided in Section 2.04, or as A.I.D. may otherwise specify in writing, all such payments shall be made to the Controller, Agency for International Development, Washington, D.C., U.S.A., and shall be deemed made when received by the Office of the Controller.

SECTION 2.04. Special Payment Procedure.

a. Unless A.I.D. otherwise directs, the Borrower shall discharge its obligations to make payments pursuant to this Article, and if A.I.D. so directs to make payments pursuant to Section 8.02, by making all such payments in accordance with the terms of this Agreement to the Government of Brazil in cruzeiros, equivalent to, and at the same time as, the dollar payments which would otherwise be made ("Special Payment Procedure"). A.I.D. shall specify the exchange rate at which such payments of cruzeiros are to be calculated, provided, however, that the Borrower shall in no case be required to pay more cruzeiros per dollar to the Government of Brazil than it would have been required by the Banco Central da República do Brasil to pay to obtain dollars for payments directly to A.I.D. pursuant to this Agreement.

b. Adoption of this Special Payment Procedure shall in no way affect any rights of A.I.D. or any obligations of the Borrower under this Agreement, except those obligations discharged in accordance with Sub-section 2.04 (a) above.

SECTION 2.05. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, 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.

ARTICLE III

Conditions Precedent to Disbursement

SECTION 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 A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion or opinions of legal counsel satisfactory to A.I.D. that:

- i. This Agreement has been duly authorized or ratified by, and executed on behalf of the Borrower, has been registered if and as required by the law of Brazil, has been approved by the Federal Senate, if required, and constitutes a valid and legally binding obligation of the Borrower in accordance with its terms.
- ii. To the best of counsel's knowledge, the statements contained in Section 4.06 ("General Representations and Warranties") are true and accurate.

b. A statement of the names of the persons holding or acting in the office of the Borrower specified in Section 9.02, and a specimen signature of each person specified in such statement;

c. Evidence that an agreement of guaranty ("Guaranty Agreement") has been executed by the Government of Brazil ("Guarantor") guarantying repayment of the Loan and payment of all interest and other payments

required pursuant to the Agreement, and that said guaranty is in effect in accordance with its terms.

d. Evidence that an agreement has been executed, registered and put into effect by A.I.D. and the Guarantor establishing the Special Payment Procedure described in Section 2.04 and providing for appropriate payments by the Guarantor to A.I.D.

e. Evidence of arrangements with appropriate monetary authorities for the registration of this Agreement in accordance with the laws of Brazil.

f. An executed contract or other arrangements satisfactory to A.I.D. for technical consulting services to be performed for the Project by a firm or firms satisfactory to A.I.D.

SECTION 3.02. Conditions Precedent to Additional Disbursements.

Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for any purpose other than to finance the services referred to in Section 3.01 (f), the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. A detailed financial plan for the Project, including evidence that the Borrower's financial contribution will be made available as needed, and that funds will be available for maintenance of items purchased under the Loan, and for the continuing maintenance and other operations of the Borrower.

b. A firm plan and schedule for the procurement and training necessary for the Project.

c. An inventory of Borrower's spare parts and equipment, and proper storage facilities for the same.

d. Such of the following additional items for all or any portion of the Project as A.I.D. may specify:

- i. Additional plans and specifications;
- ii. Signed procurement contracts;
- iii. Evidence that CACEX and/or other approvals from Brazilian Government authorities required for the timely importation of Project goods will be available as needed.

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

a. If all of the conditions specified in Section 3.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. 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 thereunder shall terminate.

b. If all of the conditions specified in Section 3.02 shall not have been met within one hundred and eighty (180) days from the date 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 Loan 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 of Conditions Precedent to Disbursement. A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement have been met.

ARTICLE IV

General Covenants and Warranties

SECTION 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, financial and administrative practices. In this connection, the Borrower shall at all times employ suitably qualified and experienced consultants to be professionally responsible for the Project.

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

SECTION 4.02. Funds and Resources to be Provided by Borrower.

The Borrower shall provide or cause to be provided promptly as needed all funds, in addition to the Loan, and all other resources for the punctual and effective carrying out, maintenance, repair and operation of the Project and items procured thereunder.

SECTION 4.03. Continuing Consultation. The Borrower and A.I.D. shall cooperate fully to assure that the purpose 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 performance of the consultants, contractors and suppliers engaged on the Project, and other matters relating to the Project.

SECTION 4.04. Management. The Borrower shall provide qualified and experienced management for the Project, and it shall train such staff as may be appropriate for the maintenance and operation of the Project, in accordance with the training program approved by A.I.D. pursuant to Section 3.02(a).

SECTION 4.05. Operation and Maintenance. The Borrower shall operate, maintain and repair items procured for the Project in conformity with sound engineering, financial, administrative and maintenance practices and in such manner as to insure the continuing and successful achievement of the purposes of the Project. Borrower shall establish and maintain sound inventory and storage systems for equipment and spare parts.

SECTION 4.06. General Representations and Warranties. The Borrower represents and warrants that as of the date of this Agreement:

a. Borrower is a duly organized and existing mixed economy corporation under the laws and decrees of Brazil with full authority to carry on its present business, to undertake the Project, and to enter into this Agreement:

b. Borrower has taken all legal action and obtained all authorizations, consents, permits, licenses, privileges or other rights or authorities necessary for the completion, operation, and maintenance of the Project;

c. Borrower has furnished A.I.D. with a true copy of its charter and by-laws with amendments to date;

d. Borrower is not in violation of, and the execution and delivery of this Agreement, the compliance with all of its terms and the carrying out of the other transactions contemplated hereby do not and will not conflict with or result in any violation of any provisions of any present agreement, franchise, concession, license, permit, decree, order, statute, ordinance, governmental rule or regulation applicable to Borrower;

e. There is no action or proceeding pending or threatened (or, to the best of Borrower's knowledge, any basis therefor) which might result in any material adverse change in the prospects or conditions (financial or other) of Borrower, or which questions the validity of this Agreement or any action taken or to be taken pursuant to or in connection herewith, or in carrying out the Project.

SECTION 4.07. Taxation.

a. This Agreement, the amount agreed to be lent hereunder 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 country of the Borrower. If, notwithstanding the foregoing, any taxation or fee is imposed, such tax or fee shall be paid by the Borrower under Section 4.02 of this Agreement with funds other than those provided under the Loan.

b. To the extent that:

1. all parties to contracts financed hereunder to which the

Borrower is a party and any property or transactions relating to such contracts, and/or

ii. any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

SECTION 4.08. Utilization of Goods and Services.

a. Goods and services financed under the Loan shall be used exclusively for the Project, except as A.I.D. may otherwise agree in writing. Upon completion of the Project, or at such other time as goods financed under the Loan cannot usefully be employed for the Project, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

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 4.09. Disclosure of Material Facts and Circumstances.

The Borrower represents and warrants that all facts and circumstances that it has disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might

materially affect, or that it is reasonable to believe might materially affect, the Project or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.10. 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 A.I.D. any payments or agreement to pay for bona fide professional, technical or comparable services 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 A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

b. The Borrower 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 country of the Borrower.

SECTION 4.11. 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, in accordance with sound auditing standards, for such period, in such fashion, 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 shall first occur.

SECTION 4.12. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Project as A.I.D. may request.

SECTION 4.13. Inspections. The authorized representatives 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 Borrower's books, records and other documents relating to the Project and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections.

ARTICLE V

Special Covenants and Warranties

SECTION 5.01. Rates.

a. Until the Loan is fully repaid, unless A.I.D. may otherwise agree in writing, the Borrower shall promptly, and not less often than once a year, take all such action as shall be necessary to insure that its tariffs and charges are set and maintained at levels sufficient to cover:

- i. All operating expenses, including maintenance;
- ii. All interest and principal payments on its debt;
- iii. Adequate working capital requirements and reserves; and
- iv. A contribution of not less than 40% of the estimated five-year average annual capital expenditures for expansion and rehabilitation of its system.

SECTION 5.02. State of Guanabara Covenants and Warranties. The State of Guanabara agrees:

a. To take all action that may be necessary to permit the Borrower to establish and maintain a rate schedule in accordance with Section 5.01;

b. To take all other actions that may be required for the successful completion of the Project on schedule and as planned, and the subsequent effective utilization of Project items.

ARTICLE VI

Procurement

SECTION 6.01. Procurement from the United States. Except as A.I.D. may otherwise agree in writing, disbursements made hereunder shall be used exclusively to finance the procurement for the Project of goods and services, including ocean shipping and marine insurance, having both their source and origin in the United States of America.

SECTION 6.02. 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 6.03. Goods and Services not Financed Under 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 6.04. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Section 6.01, and 6.03 will be set forth in detail in Implementation Letters.

SECTION 6.05. 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, scopes of engineering studies, 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. A.I.D. shall notify the Borrower which of the items furnished pursuant to sub-section (a) above must be approved by A.I.D.

c. All bid documents relating to goods and services financed under the Loan shall at the request of A.I.D. be approved by A.I.D. in writing prior to their issuance. All plans, specifications and other documents relating to goods and services financed under the Loan shall be in terms of United States standards and measurements, except as A.I.D. may otherwise agree in writing.

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

- i. contracts for consulting and other professional services;
- ii. contracts for such other services as A.I.D. may specify, and
- iii. 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 such personnel shall also be approved by A.I.D. in writing 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, shall be subject to A.I.D. approval at A.I.D.'s request.

SECTION 6.06. 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 and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.07. Shipping and Insurance.

a. Goods procured from the United States and financed under the Loan shall be transported to the country of the Borrower 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. At least fifty percent (50%) of the gross tonnage of all goods procured from the United States and financed under 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

A.I.D. shall determine that such vessels are not available at fair and reasonable rates for United States flag commercial vessels. No such goods may be transported on any ocean vessel (or aircraft) (i) which A.I.D., in a notice to the Borrower, has designated as ineligible to carry A.I.D.-financed goods or (ii) which has been chartered for the carriage of A.I.D.-financed goods unless such charter has been approved by A.I.D.

c. If in connection with the placement of marine insurance on shipments financed under United States legislation authorizing assistance to other nations, the country of the Borrower, 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 procured from the United States and 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 procured in the United States and 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. 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 replacements shall be of United States source and origin and otherwise subject to the provisions of this Agreement.

SECTION 6.08. 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 this 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.

SECTION 6.09. United States Government-Owned Excess Property. With regard to A.I.D.-financed property for the Project to which the Borrower takes title at the time of procurement, the Borrower shall procure U.S. Government-owned Excess Property to the maximum extent practicable and consistent with the laws of Brazil and to the extent that the Borrower determines that such equipment is technically suitable and can be made available on a timely basis. 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 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 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 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 Project.

SECTION 6.10. Information and Marking. Borrower shall give publicity to the Loan and the Project as a program of United States aid in furtherance of the Alliance for Progress, identify the Project site, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursements 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 supplier, 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 Implementation Letters. United States banking charges in connection with Letters of Commitment shall be for the account of the Borrower and may be financed hereunder.

SECTION 7.02. 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 7.03. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur 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.

SECTION 7.04. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or amendment thereto shall be issued in response to requests received by A.I.D. after April 30, 1969, and no disbursement shall be made against documentation received by A.I.D. or any bank described in Section 7.01 after July 31, 1969. A.I.D., at its option, may at any time or times after July 31, 1969, 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 State of Guanabara 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 diligence and 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, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor or successor agencies; or
- d. the Guarantor shall have failed to comply with any provision of the Guaranty Agreement;

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 other than outstanding irrevocable letters of credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursements. 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 will be able to perform its obligations under this Agreement; or
- c. any disbursement would be in violation of the legislation governing A.I.D.;

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 disbursements other than under outstanding commitment documents;
- iii. Decline to issue additional commitment documents; and/or
- 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 country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. 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 disbursements 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 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. 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 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 with 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.

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:

Companhia Estadual de Águas da Guanabara-CEDAG
Rua São José, 90 - 21º andar
Rio de Janeiro, GB

Cable Address:

None

To A.I.D.:

Mail Address:

Office of Capital Development and Industry
Agency for International Development
United States Embassy
Rio de Janeiro, Brazil

Cable Address:

USAID/ADCD
AMEMBASSY
Rio de Janeiro, Brazil

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 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 office of Director-President and A.I.D. will be represented by the individual holding or acting in the office of Director of Mission or Assistant Director for Capital Development and Industry, USAID/Brazil. Such individuals shall have the authority to designate by written notice additional representatives. 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 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. Termination Upon Full Payment. Upon payment 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, Borrower and the State of Guanabara, 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.

COMPANHIA ESTADUAL DE AGUAS
DA GUANABARA - CEDAG

By: [Signature]
Title: Director President

By: [Signature]
Title: Financial Director

UNITED STATES OF AMERICA

By: [Signature]
Title: Director, USAID/Brazil

By: [Signature]
Title: Ambassador

THE STATE OF GUANABARA

By: [Signature]
Title: Governor

CONCURRENCE:

COORDINATING COMMISSION FOR THE
ALLIANCE FOR PROGRESS

By: [Signature]
Title: Coordinator of COCAP

DESCRIPTION OF PROJECT

This project will assist the Borrower in implementing the completion of its master plan for increasing the quality and coverage of water service throughout the State of Guanabara. Specifically the Loan will cover:

- (1) The cost of purchasing specialized U.S. Maintenance Equipment which will be used to repair and maintain the water system.
- (2) The acquisition of a fluid network analyzer for the Department of Engineering to expedite the planning and designing of improvement in the water distribution system.
- (3) The purchase of a telemetering and telecommunications control system which will serve as the nerve center to control all key elements of the water system.
- (4) The purchasing of flow measuring equipment which will be used to prevent costly and unnecessary waste of water.
- (5) In addition to this, U.S. technical consultants will be retained to assist in revising the master plan for the water distribution system improvements and to provide the necessary technical assistance in implementing the telemetering and telecommunication control system.



Department of State

TELEGRAM

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TO SECSTATE WASHDC 5516

UNCLAS RIO DE JANEIRO 13905

SUBJECT: A) LOAN 512-L-062 (ELETROBRAS) MEMO DATED 10-22-68
B) LOAN 512-L-058 (CEDAG) MEMO DATED 10-22-68

FOR C/ACC/BB
PLEASE REPLY SUBJECT LOAN MEMOS. BORROWERS BECOMING
IMPATIENT. TUTHILL

[Handwritten initials]
↑
PD-AAB-758

your act 111189

*Quicki
last taken
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