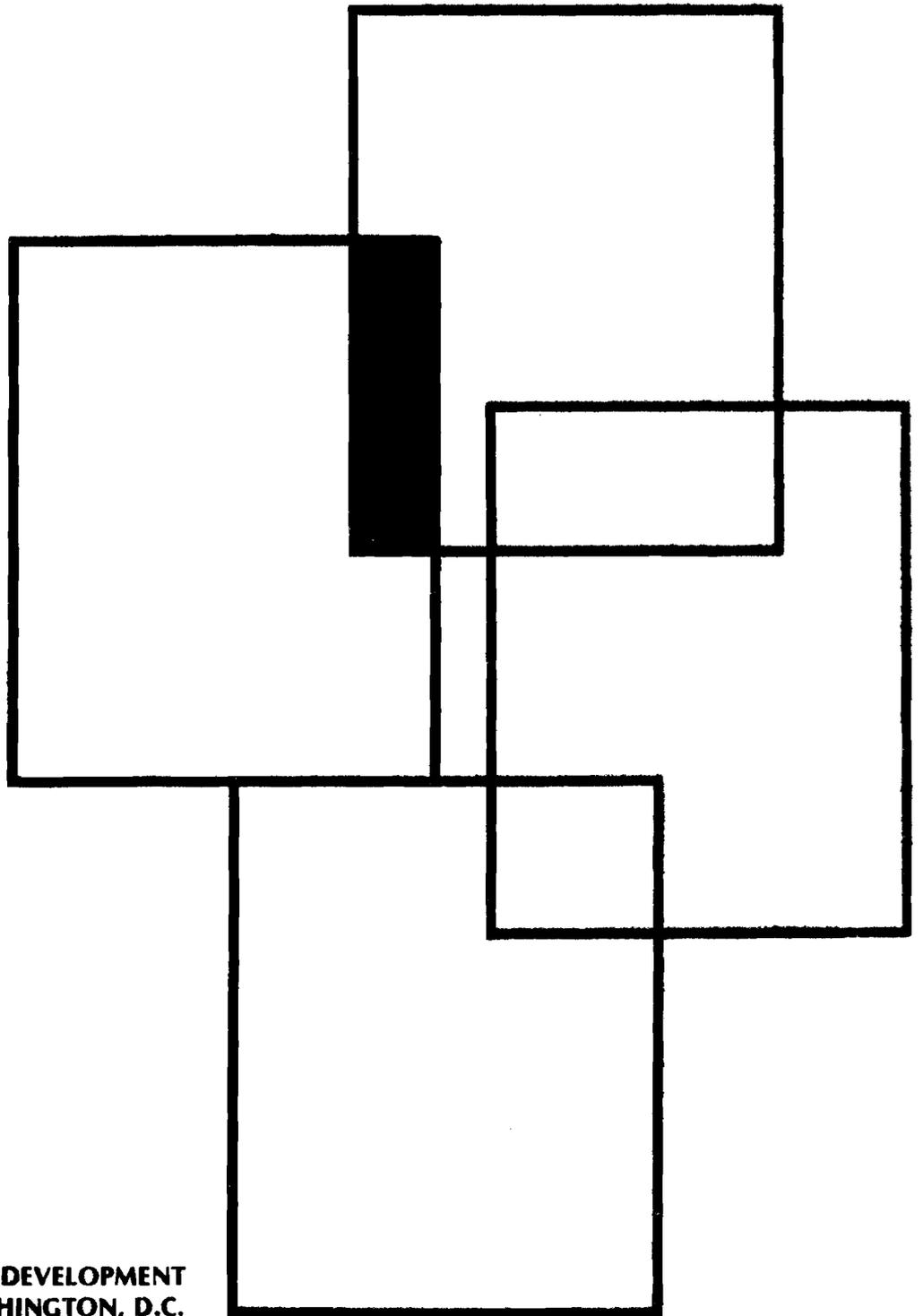


Housing Guaranties



**AGENCY for INTERNATIONAL DEVELOPMENT
WASHINGTON, D.C.**

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK TRANSMITTAL MEMORANDUM	DATE April 25, 1989	TRANS. MEMO NO. 7:11
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MATERIAL TRANSMITTED:

Handbook 7 - Housing Guaranties

The attached new Supplement A to Handbook 7 provides guidance for Housing Guaranty sectoral programming. It supplements and is consistent with the Agency's general guidance on this subject, with specific reference to Housing Guaranties. It principally affects the Office of Housing and Urban Programs and the RHUDO field offices in their program development activities. It is to be inserted behind chapter 6, the last chapter of the Handbook.

SUPERSEDES:

None.

FILING INSTRUCTIONS:

1. Remove superseded material as indicated under SUPERSEDES.
2. File the attached in their appropriate places.
3. Initial the Transmittal Memorandum Checksheet (in the back of the Handbook binder) beside TM 7:11.

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KEEP THIS TRANSMITTAL MEMORANDUM, which has an up-to-date Checklist for this Handbook on the back. File this TM 7:11 in the front of the handbook binder; discard TM sheet 7:10.

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Address questions about this Handbook to PRE/H.

For additional copies of this Transmittal contact M/SER/IRM/PE.

CHECKLIST FOR HANDBOOK 7
HOUSING GUARANTIES

AUTHOR OFFICE: SER/H

<u>DATE</u>	<u>MATERIAL TRANSMITTED</u>	<u>TM NO.</u>
9-2-83	Complete Handbook (Revised)	7:7
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4-21-89	Supplement A	7:11

AGENCY FOR INTERNATIONAL DEVELOPMENT

HANDBOOK 7

HOUSING GUARANTIES

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N O T E

Throughout this Handbook, masculine pronouns are to be interpreted as including both men and women, unless the context specifically excludes this interpretation.

Future revisions will take into account the AID directive (HB 18, Part I, 2E) of 12/30/75 on the avoidance of sex-biased language.

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CHAPTER 1

INTRODUCTION

1A. PURPOSE OF HANDBOOK

This handbook outlines the policies, procedures, responsibilities, and requirements that govern the administration of the AID Housing Guaranty Program. It should be used in conjunction with the Agency Handbook No. 2 Program Planning and Budgeting and Handbook No. 3 Project Assistance. This handbook is intended for the use of individuals or entities who have concern for the planning, implementation, and/or monitoring of Housing Guaranty projects, or those whose work brings them into contact with the Housing Guaranty Program. Questions regarding policies and procedures which may require amplification should be addressed to the Office of Housing and Urban Programs (PRE/H), AID/W.

1B. SUMMARY OF THE HOUSING GUARANTY PROGRAM

1. Through the Housing Guaranty Program, AID provides the full faith and credit guaranty of the United States Government to U.S. lenders making loans for shelter and related infrastructure community services, and facilities in the less developed, friendly countries and areas of the world.
2. The guaranty provided by the Program after a contract of Guaranty has been issued, covers 100 percent of the loan disbursed by the U.S. lender, plus any interest which might accrue to the date of settlement of any claim in accordance with the terms of a Contract of Guaranty negotiated with the U.S. lender. The contract provides for coverage of defaults in repayment except those involving fraud or misrepresentation on the part of the lender.
3. Basic Agency policy underlying the Housing guaranty Program is found in Appendix 1A.
4. The Office of Housing and Urban Programs provides centralized direction to the Agency's Housing Guaranty Program in close coordination with the Geographic Bureaus.
5. The costs of administration and operation of the Housing Guaranty Program and PRE/H are funded primarily by fees charged the borrowers for issuance of the guaranties.
6. The Housing Guaranty Reserve Fund was initially constituted by \$50 million made available by the Congress from prior AID investment guaranty programs. Also, the program has generated certain project reserve funds. These funds together with interest earnings thereon and fee income are available for meeting necessary administrative and operating expenses of the Housing Guaranty Program and to discharge liabilities under guaranties issued pursuant to FAA Section 222.

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Appendix 1A

The AID Shelter Policy Paper will be published in the first quarter of FY 1984. It will be circulated as soon as it is issued.

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CHAPTER 2

PROGRAM RESPONSIBILITIES AND RESOURCES

2A. RESPONSIBILITIES AND AUTHORITIES

1. Office of Housing and Urban Programs PRE/H

(a) The Office is a part of the Private Enterprise Bureau and is designated as PRE/H. In close coordination with the Geographic Bureaus, PRE/H provides centralized direction to the Agency's Housing Guaranty Program. The Office has primary responsibility for the design and implementation of shelter projects wherever located from conception until all payments on the guaranteed investment have been made. These responsibilities include project design and development, contract negotiation, project implementation, supervision of disbursements to borrowers and monitoring repayments for the life of the project. PRE/H consists of a Washington office and overseas Regional Housing and Urban Development Offices (RHUDO). The personnel assigned to the RHUDOs are directed, and supervised by PRE/H. In carrying out its responsibilities, PRE/H works closely with country desk officers and other bureau personnel, AID Missions, and/or U.S. Embassy personnel.

(b) At present, Regional Housing and Urban Development Offices are headquartered in Nairobi, Kenya (Eastern and Southern Africa); Abidjan, Ivory Coast (West and Central Africa); Bangkok, Thailand (Asia); Tunis, Tunisia (North Africa and Near East); Panama City, Panama (South and Central America); and Kingston, Jamaica (Caribbean). Each RHUDO is headed by a senior Housing and Urban Development Officer with responsibility for administration of Housing Guaranty programs in countries within its geographic area. RHUDOs are subject to overall direction and management of the Director of PRE/H. Country policy guidance is provided by AID Mission Directors and chief U.S. diplomatic representatives in the countries in which they operate. From time to time, Missions may use Mission Housing Advisers who coordinate local shelter projects and receive technical guidance from the appropriate RHUDO.

(c) Under PRE/H guidance and supervision, RHUDOs provide the following services in connection with shelter and Housing Guaranty projects as requested by the appropriate AID country organization or Geographic Bureau:

- Analyzing and proposing shelter policy and institutional development strategy, including planning, conducting, and appraising Shelter Sector Assessments, Shelter Strategy Papers, and feasibility studies;
- Designing shelter assistance programs in a given country and preparing and assisting in presenting Project Identification Document (PID), AID form 1330-2, and Project Paper (PP) AID form 1330-4, recommendations, as required;

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- Managing AID shelter assistance programs in a given country including monitoring and periodically inspecting technical and financial aspects of programs and projects in process, initiating remedial action where required;
- Exercising authority, under PRE/H delegations, to negotiate, execute, and deliver Program Implementation Agreements in accordance with terms of authorized guaranties, to prepare, negotiate, deliver implementation letters and other documents essential to implementation; to review and approve borrower documentation submitted in satisfaction of conditions or covenants under Program Implementation Agreements.

2. Geographic Bureaus

Each Geographic Bureau Assistant Administrator authorizes the use of Guaranty Authority within his/her geographical region through approval or disapproval of PIDs and PPs. Additionally, the Assistant Administrator, in consultation with PRE/H advises on country and regional strategy for guidance of PRE/H and AID Missions.

3. Geographic Bureau Review Committees

Each Geographic Bureau has established a committee review procedure to assist the Geographic Bureau Assistant Administrator in carrying out his/her responsibilities with regard to development loans requiring Assistant Administrator action. These same committees shall have similar review responsibilities for HG Projects. In this handbook, the term Project Review Committee will be used to designate these Bureau Committees. With respect to HG project requirements, the committee initially:

- (a) Reviews and approves PIDs;
- (b) Approves the Housing Guaranty Project Paper; and
- (c) Recommends, jointly with PRE/H, to the Geographic Bureau Assistant Administrator, issuance of the guaranty authorization.

4. AID Missions/U.S. Embassies

AID Missions or, in countries where there are no Missions, U.S. Embassies make policy decisions relating to country strategy and handle the preliminary processing of housing guaranty requests from the host country. The initial policy decisions made at the country level determine whether or not Housing Guaranty requests will be recommended for project consideration. Such a decision usually relates to country strategy and the broad political and economic factors which may influence or be influenced by the proposed project rather than to the detailed economic and general viability of the project. Consistent with the foregoing, the implementation of the shelter assistance program is the responsibility of PRE/H.

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5. Assistant General Counsel for Housing (GC/H)

GC/H provides legal services for all aspects of the Housing Guaranty Program. These include interpretations of, and legal opinions on, the Foreign Assistance Act and other applicable Federal legislation; drafting and negotiating the necessary contract documents; issuance of legal opinions; handling of note closings with the U.S. investor; and representation for AID on claims arising from Housing Guaranty operations.

6. Office of Financial Management (M/FM/LMD)

M/FM/LMD provides a large variety of financial management services to PRE/H. These include the maintenance of the accounts of the various Housing Guaranty Loans, financial monitoring of the loans, funds control, and management functions of the PRE/H administrative budget.

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CHAPTER 3

PLANNING POLICIES AND CATEGORIES

3A. STATUTORY PROVISIONS

The Housing Guaranty Program is based upon Chapter II, Title III of the Foreign Assistance Act of 1961 as amended. Legislative changes in 1975 require that Housing Guaranty resources be used almost exclusively for the benefit of lower income families. In fact, since 1974 all authorized Housing Guaranty projects have been designed for this income group.

1. Objectives

The broad policy goals of the program are set forth in FAA Section 221 as the following:

- (a) To increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;
- (b) To assist in marshalling resources for low-cost housing;
- (c) To support pilot projects for low-cost shelter, or to have a maximum demonstration impact on local institutions and national policy;
- (d) To have a long-run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for low-cost shelter programs and policies.

2. Program Emphasis

In designing projects to meet the broad objectives set forth in 3A1 above, Section 222 of the Act sets forth five general activities to be emphasized. These activities are set forth below and are not mutually exclusive in any particular projects.

These are:

- (a) Projects which provide improved home-sites to poor families on which to build shelter and related services;
 - (b) Projects comprised of expandable core shelter units on serviced lots;
 - (c) Slum upgrading projects designed to conserve and improve existing shelter;
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(d) Shelter projects for low income people designed for demonstration or institution building purposes; and

(e) Community facilities and services in support of projects to improve the shelter occupied by the poor.

3B. PROGRAM POLICY

1. Basic Agency Policy

As the Housing Guaranty Program has grown, the accumulated experience in program operations has resulted in a refinement of procedures and the development of general concepts and policies within which the program now operates. Basic Agency policy is contained in Appendix 1A, "Shelter Program Objectives," PD-55, and Appendix 2A, "Urbanization and the Urban Poor," PD-67.

2. Policy Guidelines

Policy Determination 55 underscores the importance of AID's authority to issue guaranties against loss of private investments in housing abroad as a resource beyond appropriated funds to help developing countries with their shelter needs. These projects will be directed toward the following:

(a) National Housing Policies - It is of priority importance that each country have a national housing policy which, considering the level of economic, social, and political development achieved, will analyze its housing problems, establish realistic targets and courses of action, and make the highest and best use of the resources it has available to solve the problems. When requested, PRE/H will consider giving assistance to the development or up-dating of a Housing or Shelter Sector Assessment as the basis upon which to help the developing country or area prepare or improve a national housing policy, and the courses of action to implement it. The absence of a national housing policy will not prevent PRE/H from considering a request for a housing guaranty program. But, an effort will be made to prepare a shelter sector assessment to assist in preliminary development of a national housing policy.

(b) Institutional Development - PRE/H places major emphasis upon programs that will assist government organizations in charge of national housing policies, housing cooperatives and private sector entities whose focus is on providing shelter for low income persons. HG programs stress the development, upgrading and strengthening of institutions that provide financing for and carry out the national housing policies. Probably the most important of these institutions have been local savings and mortgage credit institutions, cooperatives and credit unions which assist in the accumulation of local capital for long-term mortgage finance operations, the promotion of effective cost recovery systems, the reduction of subsidies, the elimination of unrealistic standards for basic services and the stimulation of the private sector to expand economic development opportunities in urban centers. To develop new

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institutions, or strengthen existing institutions of this type, PRE/H will, for example, provide short-term technical assistance to draft or revise legislation and/or operating rules and regulations. Thereafter, Housing Guaranty Program funds could flow, in effect, as seed capital to, and through such institutions for the financing of home mortgages.

(c) Shelter for the Poor - The target population of all Housing Guaranty projects is the group below the median income level in the country. These projects may be of the following types:

1. "Slum and squatter upgrading" which may include improving or providing water, sewerage, electricity, roads, community services and facilities to an existing low income neighborhood.
2. "Sites and services" for which vacant areas for home-sites are prepared by providing the land, installing water and sewage lines, dividing the land into uniform lots on which families may build a shelter with their own labor and construction of some common-use facilities.
3. "Core housing" which is basically a sites and services project with the addition of a rudimentary housing shell on each lot to be improved and expanded by the owner; and
4. "Small loans" for home improvement and construction.

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CHAPTER 4

PROGRAM DEVELOPMENT AND AUTHORIZATION

4A. PROGRAM PROCESSING STEPS

1. Program Initiation

The procedure for development of an HG program is begun by a formal or informal expression of interest from the host country to the AID Mission or Embassy. With the concurrence of the Mission or Embassy and clearance by PRE/H, the Regional Housing and Urban Development Officer will schedule a visit to host country officials.

The RHUDO will explain the workings of the HG Program, its policy guidelines and its legislative constraints. He will also explore with Mission and Host Country officials, whether the possibility exists for the development of an HG program, or, whether the interest expressed by the Host Country is a matter for technical assistance that could be considered for DL/DG financing. With Mission approval, the HG documentation enters the AID program cycle at this point.

2. Annual Budget Submission (ABS)

The RHUDO will work with mission officials to prepare a statement outlining the project proposal for inclusion in the next ABS. The lead time involved must be observed, i.e., a project proposal intended for FY 85 implementation would have been included in the ABS data sheet of June 1983.

At the same time, PRE/H prepares its submission to the PRE ABS. It is important that the proposed housing and urban development projects (HGs, grants, etc) be consistent in both the PRE Bureau's and the Mission's ABS.

3. Country Development Strategy Statement (CDSS)

The shelter and urban strategies for each country will be contained in the CDSS for that country.

4. Shelter Sector Assessment (SSA)

The SSA is an analytical overview of the shelter sector in a Host Country (HC). Its basic purpose is to assist the HC to establish policy priorities, programs and allocate resources to reach solutions to the housing problems of its people, with special emphasis on the needs of the poor. At the same time, it provides the background upon which Missions, Geographical Bureaus and PRE/H will rely in making preliminary decisions in response to HG requests for assistance in the shelter sector.

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The SSA identifies the range of options the HC may wish to consider for possible solutions of the shelter problems identified in the assessment. It also identifies the shelter solutions and financing techniques appropriate to various target groups of the HC.

SSAs are typically made by a team on site for about three weeks. The team is under the general policy direction of the AID Mission and is managed by the appropriate RHUDO. Prior to departing from the HC, the team will be debriefed by the Mission and RHUDO and will provide a summary of their findings to the Mission and RHUDO, and to HC officials. In most cases, the SSA will be financed by PRE/H through its HG income.

5. Shelter Strategy Statement (SSS)

Following the acceptance of the SSA and discussions with the Mission and, as appropriate, the HC, the RHUDO will normally prepare the SSS and forward it to PRE/H for approval. The purpose of the SSS is to state what AID intends to accomplish, both short and long term, with AID human settlement activities in the country, and how it is proposed to go about it. It is the guide for subsequent project design work and provides the basis for the statements of goals in ensuing Project Papers, including logical framework matrices, and particularly should relate technical assistance to the goals.

The SSS is approved by PRE/H prior to submission of a Project Identification document. The SSS may be periodically reviewed and revised at any time that a previously approved strategy is no longer valid.

6. Project Identification Document (PID)

(a) General

The preparation, form and content of PIDs for HG projects shall follow the guidelines in Handbook 3, except as specified immediately below.

(b) PID Content

In addition to the requirements of Handbook 3, PIDs for HG projects shall cover the relationship of the project to the Shelter Strategy Statement (SSS) and a country risk assessment which shall discuss the country's ability to repay the HG loan - potential debt rescheduling and other factors to be taken into account. The PID should contain a brief discussion of the source and need of foreign exchange to the borrower and an analysis of borrower's foreign exchange needs.

(c) PID Preparation and Processing

Per Handbook 3, Ch 2E, the RHUDO shall prepare PIDs for HG projects in collaboration with the Mission. PIDs are prepared and processed in accordance with Handbook 3 except that Housing Guaranty PIDs are sent to

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PRE/H and, upon PRE/H technical approval, sent by PRE/H to the responsible AID/W Bureau for review and approval per Handbook 3.

7. Initial Environmental Evaluation (IEE)

At several points during the documentation that precedes a HG loan, the impact of the project on its environment is considered. The Shelter Sector Assessment, for instance, includes an analysis of the country's resources and activities in environmental protection. Beyond that, the Initial Environmental Examination (IEE) is prepared for submission with the PID. A positive or negative determination accompanies the IEE. This includes a recommendation as to whether or not an Environmental Assessment will be undertaken. As a general rule, PRE/H will prepare the IEE and it will be reviewed by the Geographic Bureau. Definitions of these terms and procedures which must be followed are found in Handbook 3.

8. Project Paper (PP)

(a) General

Following approval of the PID, the RHUDO is responsible for preparing the Project Paper (PP). This is the basic project document and serves as the basis for AID action. It contains the definitive description of the HG project that emerged from the development process. The PP shows the analysis of the project and describes in detail the responsibilities of the projects' participants. The form, content and processing of the PP will follow in general the guidance contained in Handbook 3, except as provided immediately below.

(b) PP Content/Economic Analysis

In addition to the guidance in Handbook 3, a PP for an HG project shall contain an analysis of the country's risk of repayment and the foreign exchange consequences of the HG project.

The following factors should be discussed in the economic analysis portion of every HG project paper. These factors will differ with individual countries and projects.

- a. Is the economy of the country sufficiently strong to ensure that the project will be carried through and completed as scheduled?
- b. What are the major strengths and weaknesses of the project, and what institutional changes need to be implemented to eliminate the major problems?
- c. What impact will this project have on the overall economy?
- d. Who is undertaking the risks of project finance, and is it highly probable that the loan will be repaid on schedule? Of particular interest here is exchange rate risk, which is beyond the control of the

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institution overseeing the project and critical to the repayment of dollar denominated loans.

(c) PP Preparation, Submission and Review

The RHUDO shall prepare the PP in collaboration with the Mission and in accordance with Handbook 3. PPs shall be sent to PRE/H for technical approval and forwarded to the AID/W Bureau Project Committee for its approval in accordance with Handbook 3.

4B. PROJECT AUTHORIZATION PROCEDURE

1. Project Paper Review by the Regional Bureau

Following the review of the Project Paper, the Geographic Bureau Project Review Committee (PRC) makes its recommendations to the Geographic Bureau Assistant Administrator who has authority to accept or reject the proposal, or accept it with modifications or special conditions precedent.

2. Issuance of Authorization

All guaranty authorizations and amendments thereof are transmitted to M/FM/LMD for clearance and the prevalidation of the availability of guaranty authority prior to approval of the Geographic Bureau Assistant Administrator. The Geographic Bureau Assistant Administrator signs the Guaranty Authorization and all amendments for HC projects.

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CHAPTER 5

PROGRAM IMPLEMENTATION

The Office of Housing and Urban Programs occupies a unique position within the Agency. It provides assistance to all Geographic Bureaus on a regional basis and is responsible for Agency-wide leadership in promoting the Agency's urban development policies. As a result, many shelter and urban development functions that otherwise would be performed by Mission personnel are carried out by PRE/H.

5A. LETTER OF ADVICE

After the guaranty Authorization has been signed, the Director, PRE/H, signs the Letter of Advice or, where appropriate, prepares a letter of rejection, and forwards it to the Mission or Embassy for transmittal to the borrower. The Letter of Advice is a statement to the borrower of AID's willingness to make a guaranty available within a time frame and subject to designated conditions.

5B. IMPLEMENTATION AGREEMENT

After the letter of advice is sent to the borrower, the first step in project implementation is for the RHUDO with GC/H to negotiate an implementation agreement. This agreement, analogous to a DL or DG project agreement, is concluded between AID and the borrower and is generally negotiated in the host country. It establishes and controls how, when and by whom the loan funds will be used to carry out and implement the project. It establishes the duties of the borrower and contains the conditions precedent set forth in the guaranty authorization and letter of advice. The implementation agreement is drafted by GC/H with RHUDO guidance.

5C. LENDER SELECTION

The Lender selection process normally begins after a project implementation agreement has been negotiated and signed, and the borrower has complied with certain conditions specified in the agreement, such as providing a cash flow plan acceptable to AID. Borrowers, not AID, select lenders or entities representing lenders such as brokers, placement agents or underwriters. AID reserves the right to approve the lender selection and the terms of the loan to be offered.

Unless otherwise agreed to by AID, there are two approved methods for lender selection by a borrower; competitive negotiation and non-competitive negotiation.

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1. Competitive Negotiation

In this procedure, AID requires that lending opportunities be advertised and that borrowers solicit lending proposals from the largest practicable number of prospective lenders or their representatives and give fair consideration to all proposals or bids received. To assist a borrower's solicitation, AID will publish a notice of each prospective AID guaranteed investment opportunity in the Federal Register and directly mail such notices to interested firms or individuals appearing on AID mailing lists designated for this purpose. Other notices may be published from time to time by the borrower or AID. Notices of a prospective investment opportunity will describe the borrowing in basic terms. After the borrower has selected a loan proposal, the terms and conditions of the loan must be approved by PRE/H.

2. Non-Competitive Negotiation

A borrower may select a lender or broker through a non-competitive negotiation process with the written consent of PRE/H. Such consent may be given at the sole discretion of the Office of Housing and Urban Programs, upon its determination that the use of such non-competitive procedures is in the best interest of the borrower and AID. This consent may be given for a specific project, or for all projects within a stated time period.

AID from time to time at its discretion, may specify conditions to its approval of a non-competitive lender selection process including, for example, conditions that notices of the transactions be published. AID reserves the right to approve the interest rate and other terms and conditions of a non-competitive negotiation. AID at its sole discretion may refuse to guaranty a loan contracted through this non-competitive procedure if AID believes the terms are not advantageous to the borrower.

5D. NEGOTIATION OF THE CONTRACT DOCUMENTS

There are five basic contracts involved for each Housing Guaranty project. Each contract contains various standard clauses required by AID or by the other parties. However, as they are subject to negotiation and individual lenders and borrowers have special requirements, considerable variance may be found in the respective contracts.

1. The Loan Agreement (Lender and Borrower)

Following the borrower's acceptance with AID approval of a loan commitment from the lender, the loan agreement is negotiated between the lender and borrower with the Assistant General Counsel for Housing (GC/H) monitoring the progress of the negotiations and reporting to the PRE/H Portfolio Committee. PRE/H must approve the loan agreement before it is signed by the parties. The loan agreement is executed simultaneously with the contract of guaranty.

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2. The Contract of Guaranty (AID and Lender)

The contract of guaranty is a commitment by AID to provide the full faith and credit guaranty of the United States Government insuring the return of one hundred percent of the outstanding balance of the loan plus accrued interest, in accordance with terms negotiated between AID and the U.S. investor. Such a contract provides for coverage of defaults in repayment except those involving fraud or misrepresentation on the part of the lender.

3. Implementation Agreement (AID and Borrower)

See paragraph 5B above.

4. Host Country Guaranty (Host Country and AID)

By this contract, the host country agrees to repay to AID in dollars any sum that AID may be required to pay to the U.S. investor by the terms of the guaranty agreement, plus the AID guaranty fee. A host country guaranty or the equivalent is required by AID.

5. Paying and Transfer Agency Agreement (Borrower, Paying Agent and AID)

Under this agreement, borrower appoints a paying agent to forward borrower's installment payments of the HG loan to noteholders as their interests appear on an official note register maintained by the paying Agent. The paying agent also forwards the AID guaranty fee from the borrower to AID. The paying agent is authorized to issue and reissue notes on borrower's behalf under facsimile signature. The paying agent's fee is paid by borrower. A schedule setting forth the fee charged by the paying agent is available from PRE/H. The paying agent alerts borrower and AID when funds are not received from a borrower.

6. Contract Format

Although the above five contracts are subject to negotiation and will therefore vary among the various projects. Representative generalized forms of the Loan Agreement, Contract of Guaranty, Implementation Agreement, Paying and Transfer Agency Agreement and Host Country Guaranty are attached hereto as Appendices 5B-5F.

5E. TECHNICAL ASSISTANCE

Technical assistance that may be required to develop and carry out a program beyond the TDY consultations is available through PRE/H. It can be funded by the host country, from Housing Guaranty fee income, or by Missions or AID through loan or grant funds. PRE/H, in consultation with the appropriate

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Mission, will develop the scope of work for the necessary assistance, and will recruit personnel, either direct-hire or contract employees. PRE/H direct-hire staff can usually be provided on short notice for TDY to assist Missions or Embassies and host country agencies or institutions. Where longer term assistance or assistance of a very specialized nature is required, PRE/H can call upon other U.S. Agencies and contractors.

5F. DISBURSAL OF THE LOAN

The Loan Agreement will contain the timing for the drawdowns of the HG loan. These provisions may establish the dates by which the first drawdown and the last drawdown must be made, along with interim dates established, by which certain intermediate sums must be drawn down.

The Implementation Agreement will usually establish conditions precedent to be met by the borrower, within the time frame for disbursements as set out in the Loan Agreement, which must be met prior to making drawdowns of the loan. The typical HG program is, therefore, implemented with time limited disbursements phased in with construction progress or achievement of other objectives as set forth in the Implementation Agreement.

If adequately justified and provided for in the Implementation Agreement, preliminary drawdowns can be made at the time the contract documents are signed. This would most usually occur when the implementing agency of the borrower requires a construction advance to begin project activities.

From the first one to the last one, all disbursements must follow the terms and procedures set forth in the contract documents. The closing of each disbursement or drawdown is normally held in the Office of PRE/H with an attorney for the Lender, preferably but not necessarily an attorney for the Borrower, an attorney from GC/H and a PRE/H staff member authorized to "mark the note" in attendance.

The Borrower signs a separate note for each drawdown of the loan and a legend printed on all notes, identifying the note as a guaranteed obligation of the U.S. Government, is signed by the authorized PRE/H staff member or by the Paying Agent upon PRE/H instructions. The Lender then transfers the requisite sum to the Borrower's previously designated U.S. bank to be held at the Borrower's disposal.

5G. DISBURSEMENTS INTO ESCROW

In some instances, the conditions for disbursements in the Implementation Agreement cannot be met within the timetable for disbursements in the Loan Agreement. AID at its discretion may permit the disbursements to proceed with the funds placed into an escrow account and an Escrow Agreement is entered into by the Escrow Agent, the Borrower and AID. Then as the conditions for disbursement to the Borrower are met, AID will authorize disbursements from the escrow account to the Borrower. Attached as Appendix 5G is the standard form of Escrow Agreement used by PRE/H.

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While funds are in the escrow account the Borrower is fully responsible for any payments due the Investors and the AID Fees on such. The escrow accounts earn interest to the credit of the Borrower which may be used for the debt service upon PRE/H consent.

For example, in some cases a potential lender or borrower may submit a proposal contemplating a single bullet disbursement into escrow at the commencement of a project on the understanding that actual deliveries of funds from escrow to the borrower will occur as of and when progress on the project is made. In such cases, upon finding that this is in the best interests of the project, PRE/H may consent to the proposal and a single disbursement is made into escrow at the start of the project with subsequent disbursements from escrow to the borrower upon the meeting of the conditions of the Implementation Agreement.

5H. AID FEES

It is a policy of AID to charge the Borrower a front end fee of one percent (1%) of the amount of the loan. This is usually paid at the time of the first disbursement. In addition there is charged a guaranty fee of one half of one percent (1/2%) of the outstanding amount of the loan during the life of the loan. The AID guaranty fee is included in the amortization schedule under the loan. When a borrower makes an installment payment semiannually or quarterly as the loan requires, the Paying and Transfer Agent will deduct the AID fee from the payment, pay the fee to AID, and forward the remainder to the noteholders as their interests appear.

5I. IMPLEMENTATION AND POST-IMPLEMENTATION MONITORING

HC projects are monitored in accordance with the overall AID policies set forth in Handbook 3.

THE HOUSING GUARANTY PROGRAM

APPENDIX 5A

STATUTORY CHECKLIST

NAME OF COUNTRY

PROJECT NO. -HG-

ANSWER YES/NO PUT PP PAGE
REFERENCES AND/OR EXPLANATIONS
WHERE APPROPRIATE

A. General Criteria Under HG Statutory Authority.

Section 221(a)

Will the proposed project meet the following criteria.

- (1) is intended to increase the availability of domestic financing by demonstrating to local entrepreneurs and institutions that providing low-cost housing is financially viable;
- (2) is intended to assist in marshalling resources for low-cost housing;
- (3) supports a pilot project for low-cost shelter, or is intended to have a maximum demonstration impact on local institutions and national policy; and,
- (4) is intended to have a long run goal to develop domestic construction capabilities and stimulate local credit institutions to make available domestic capital and other management and technological resources required for effective low cost shelter programs and policies.

Section 222(a)

Will the issuance of this guaranty cause the total face amount of guaranties issued and outstanding at this time to be in excess of \$1,718,000,000?

Will the guaranty be issued prior to September 30, 1984?

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Section 222(b)

Will the proposed guaranty result in activities which emphasize:

- (1) projects providing improved home sites to poor families on which to build shelter and related services;
or
- (2) projects comprised of expandable core shelter units on serviced sites;
or
- (3) slum upgrading projects designed to conserve and improve existing shelter;
or
- (4) shelter projects for low-income people designed for demonstration or institution building; or
- (5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor?

Section 222(c)

If the project requires the use or conservation of energy, was consideration given to the use of solar energy technologies, where economically or technically feasible?

Section 223(a)

Will the A.I.D. guaranty fee be in an amount authorized by A.I.D. in accordance with its delegated powers?

Section 223(f)

Is the maximum rate of interest allowable to the eligible U.S. Investor, as prescribed by the Administrator, not more than one percent (1%) above the current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development?

Section 223(j)

(1) Will the proposed Housing Guaranty be coordinated with and complementary to other development assistance in the host country?

(2) Will the proposed Housing Guaranty demonstrate the feasibility of particular kinds of housing and other institutional arrangements?

(3) Is the project designed and planned by A.I.D. so that at least ninety percent (90%) of the face value of the proposed guaranty will be for housing suitable for families below the median urban income for housing in urban areas, in the host country?

(4) Will the issuance of this guaranty cause the face value of guaranties issued with respect to the host country to exceed \$25 million in any fiscal year?

(5) Will the issuance of this guaranty cause the average face value of all housing guaranties issued in this fiscal year to exceed \$15 million?

Section 238(c)

Will the guaranty agreement provide that will cover only lenders who are "eligible investors" within the meaning of this section of the statute at the time the guaranty is issued?

B. Criteria Under General Foreign Assistance Act Authority.

Section 620/620A

(a) Does the host country meet the general criteria for country eligibility under the Foreign Assistance Act as set forth in the country eligibility checklist prepared at the beginning of each year?

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- (2) Is there any reason to believe that circumstances have changed in the host country so that it would now be ineligible under the country statutory checklist?
-

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A.I.D. Housing
Guaranty Project
-HG-

APPENDIX 5B

LOAN AGREEMENT, dated as of _____, between the
Government of _____ acting through the Ministry of
(the "Borrower") and

(the "Investor").

WHEREAS, the Borrower desires to borrow _____ Million
United States Dollars ("Dollars") (\$ _____,000,000) (the "Loan")
to be evidenced by the Borrower's _____ % promissory note(s)
(the "Note(s)"), and the Investor is willing to lend such
amount on the terms and conditions herein set forth;

WHEREAS, the Borrower will use the proceeds of the Loan
to provide financing for housing projects to be built in
(the "Project");

WHEREAS, the United States of America, acting through
the Agency for International Development ("A.I.D."), will
issue its guaranties in accordance with the terms and con-
ditions of a contract of guaranty, dated as of the date
hereof, between the Investor and the United States of America
(the "Contract of Guaranty");

WHEREAS, A.I.D. and the Government of _____, acting
through the Ministry of _____ have
entered into an implementation agreement, dated as of _____
(the "Implementation Agreement"), providing
for the use of the proceeds of the Loan to the Borrower
pursuant to this Agreement, a copy of the Implementation
Agreement having been furnished by A.I.D. to the Investor
and to the Paying Agent (as hereinafter defined);

WHEREAS, the Government of _____ and A.I.D. have
entered into an indemnity agreement, dated as of the date
hereof (the "Indemnity Agreement"), a copy of which
will be furnished to the Investor and the Paying Agent,
providing for the indemnification, backed by the full faith
and credit of the Government of _____, of A.I.D. with
respect to A.I.D.'s guarantee of the Loan to be made by the
Investor to the Borrower pursuant to this Agreement; and

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WHEREAS, The Riggs National Bank of Washington, D.C. and the Borrower, with the consent of A.I.D., have entered into a paying and transfer agency agreement, dated as of the date hereof (the "Paying and Transfer Agency Agreement"), pursuant to which The Riggs National Bank of Washington, D.C. has agreed, among other things, to act as the Borrower's agent (the "Paying Agent") in maintaining a Note Register and in distributing the Borrower's debt service payments on the Notes to each registered holder of a Note (the "Noteholders");

NOW, THEREFORE, the Borrower and the Investor hereby agree as follows:

ARTICLE I

The Commitment

SECTION 1.01. Amount of Loan and Cut-Off Date for Disbursement of Loan. Subject to the terms and conditions of this Agreement, the Investor agrees to lend to the Borrower, and the Borrower agrees to borrow from the Investor, in one disbursement that is to occur on or prior to _____, the aggregate principal amount of _____ Million Dollars (\$ _____,000,000). The Borrower shall, at least five (5) business days prior to the date of the disbursement (the "Closing Date"), deliver to the Investor, A.I.D. and the Paying Agent a request for disbursement which shall specify the Closing Date. The Closing Date shall be a day other than a Friday on which banks are open for business in the State of New York and in the District of Columbia of the United States of America ("business day"). The disbursement shall be evidenced by a Note or Notes of the Borrower in the aggregate principal amount of such disbursement. Each such Note shall be made payable to the Investor, or to such party or parties (not to exceed five) as the Investor shall designate in writing prior to the Closing Date, shall be substantially in the form annexed hereto as Attachment 1, shall be dated the Closing Date and shall mature and bear interest, and be subject to prepayment, as provided in Article IV hereof and in each such Note. The disbursement shall be made by the delivery by the Borrower to the Investor prior to 10:00 A.M. local time on the Closing Date in Washington, D.C. or such place in the United States as the Investor and A.I.D. shall agree, of such Note or Notes against payment by the Investor of the principal amount of each such Note. Payment of the

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proceeds of the disbursement will be made by the Investor by wire transfer in immediately available funds to such account of the Borrower at the Paying Agent as the Borrower shall designate in writing. All documents required to be delivered to the Investor for the disbursement shall be delivered to _____, special counsel for the Investor, at least one (1) business day prior to the Closing Date at their offices in New York, New York, and documents required to be delivered to A.I.D. shall be delivered to A.I.D. in Washington, D.C., at least one (1) business day prior to the Closing Date, at A.I.D.'s office as set forth in Section 7.01 below.

ARTICLE II

Representations and Warranties

SECTION 2.01. Borrower's Representations. The Borrower represents and warrants to the Investor that:

(A) The execution and delivery of this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement, the borrowing of money under this Agreement, the issuance of the Notes to evidence the disbursement, the consummation by the Borrower of the other transactions contemplated hereby and thereby, and compliance by the Borrower with the provisions of the Notes, this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement (i) are within the legal power and authority of the Borrower, (ii) have been duly authorized by the Borrower by all required legal action, (iii) will not violate any provision of any law, decree, regulation, or court decree of _____ and (iv) will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Borrower is a party or by which the Borrower or any of its property is or may be bound.

(B) No approvals, authorizations, orders, licenses (including licenses to purchase foreign exchange), permits, franchises or consents of, or registrations, declarations, qualifications to do business in or filings with, any authority of _____ are required under the laws of _____ in connection with the issuance of the Notes, the making by the Investor of the Loan, the receipt by the Investor, the Paying Agent, or Assignees of payments pursuant to the Notes, the guaranty of the Notes by the United

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States of America acting through A.I.D., the enforcement in _____ by the Investor, the Paying Agent, Assignees or A.I.D. of any rights pursuant to this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, the _____ Indemnity Agreement, or the Contract of Guaranty, or otherwise in connection with the execution, delivery or performance by the Borrower, the Investor, the Paying Agent, or A.I.D. of this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, the _____ Indemnity Agreement, or the Contract of Guaranty or the transactions contemplated hereby and thereby except as enforcement of any judgment against the Borrower by attachment of any of its assets may be limited by the laws of the _____.

. If any approval, authorization, order, license, permit, franchise, qualification to do business in or consent of, or registration, declaration or filing with, any authority of the Government of _____ shall thereafter become required with respect to the issuance of the Notes, the making by the Investor of the Loan, the receipt by the Investor, the Paying Agent, Assignees or A.I.D. of payments pursuant to the Notes, the guaranty of the Notes by the United States of America acting through A.I.D., the enforcement in _____ by the Investor, Assignees, the Paying Agent or A.I.D. of any rights pursuant to this Agreement, the Paying and Transfer Agency Agreement, the Contract of Guaranty, the _____ Indemnity Agreement, or the Implementation Agreement, or otherwise in connection with the execution, delivery or performance by the Borrower, the Investor, the Paying Agent or A.I.D. of this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, or the Contract of Guaranty, or the transactions contemplated hereby and thereby, such requirements shall be promptly and duly complied with by the Borrower at the Borrower's expense and any expense caused the Investor, the Paying Agent, any Assignee or A.I.D. by reason of such requirement shall be promptly reimbursed by the Borrower.

(C) No payments to be made by or on behalf of the Borrower hereunder and under the Notes to the Investor or to any Assignee not doing business in _____ or to the Paying Agent are subject to any income, withholding or other taxes whatsoever now in force in _____ or in any municipality or other political subdivision or taxing authority thereof; and all such payments may be made hereunder and on the Notes free and clear of, and without deduction by the Borrower or any other party for, any and all taxes, levies, imposts, deductions and withholdings whatsoever imposed, levied, collected or assessed thereon now or hereafter by _____, or by any municipality or other political subdivision or taxing authority thereof.

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(D) This Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement constitute legal, valid and binding agreements of Borrower enforceable in accordance with their respective terms. The Notes, when properly executed, delivered, and authenticated pursuant to the terms of this Agreement and the Paying and Transfer Agency Agreement, will constitute legal, valid and binding obligations of the Borrower and will be enforceable in accordance with their terms.

(E) The Borrower will pay in full and in a timely manner all documentary stamp taxes or other taxes, levies, imposts, charges or fees, if any, and any penalties assessed by virtue of late payment thereof, which are or may hereafter become due and payable under any applicable law of in connection with the issuance of the Notes, the making by the Investor of the Loan, the receipt by the Investor, the Paying Agent, Assignees, or A.I.D. of payments pursuant to the Notes, the guaranty of the Notes by the United States of America acting through A.I.D., the enforcement in by the Investor, Assignees, the Paying Agent or A.I.D. of any rights pursuant to this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, the Indemnity Agreement, or the Contract of Guaranty or otherwise in connection with the execution, delivery or performance by the Borrower, the Investor, Assignees, the Paying Agent or A.I.D. of this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, the Indemnity Agreement, or the Contract of Guaranty.

(F) The Borrower promptly will notify the Investor, A.I.D. and Paying Agent in writing of any condition known to the Borrower which the Borrower has reason to believe will create a default in the payment to the Investor or Assignees of the principal of or interest on the Notes or to A.I.D. of the A.I.D. Guaranty Fee or any default under this Agreement, the Paying and Transfer Agency Agreement, the Indemnity Agreement or the Implementation Agreement.

SECTION 2.02. Investor's Representations. The Investor represents and warrants that it has full power and authority to enter into and carry out its obligations under this Agreement.

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ARTICLE III

Conditions to Lending

SECTION 3.01. Conditions to Investor's Obligation to Make Disbursement on the Closing Date. The obligation of the Investor to make the disbursement of the Loan proceeds on the Closing Date hereunder is subject to compliance by the Borrower with the applicable provisions set forth in Article I and to the following additional conditions:

(A) The Investor shall have received an opinion, dated the Closing Date, addressed to the Investor, of the A.I.D. Assistant General Counsel for Housing to the effect that:

(i) the United States of America is duly authorized to execute and deliver the Contract of Guaranty by the Foreign Assistance Act of 1961, as amended (the "Act"), and the terms and provisions of the Contract of Guaranty are pursuant to and in accordance with the terms and provisions of the Act, and the Project, which is to be financed by the Loan to be made pursuant to this Agreement, has been approved by A.I.D. and has been found by A.I.D. to be of the type for which loan investments are authorized to be guaranteed under Section 222 of the Act (22 U.S.C. § 2182);

(ii) the Contract of Guaranty has been duly authorized by the United States of America, has been duly executed and delivered for and in the name of the United States of America by a duly authorized person and constitutes a legal, valid and binding obligation of the United States of America in accordance with its terms, and the guaranty set forth in the Contract of Guaranty relating to the Notes is backed by the full faith and credit of the United States of America;

(iii) the terms of the Loan, including the aggregate principal amount thereof and the rate of interest borne by the Notes, are in compliance with the Act;

(iv) the person(s) designated in the certificate furnished to the Investor pursuant to Section 3.01(B) hereof and furnished to the Paying Agent pursuant to Section 11 of the Paying and Transfer Agency Agreement and Section 3.01(B) hereof is (are) duly authorized to sign the Contract of Guaranty, to consent to the Paying

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and Transfer Agency Agreement, to sign, either by manual or facsimile signature, the guaranty legend on the Notes in accordance with Section 5.01 of the Contract of Guaranty and Section 2 of the Paying and Transfer Agency Agreement so as to make each Note an Eligible Note entitled to the benefits of the Contract of Guaranty, and to deliver any orders, notices, requests or other instruments pursuant to this Agreement, the Contract of Guaranty or the Paying and Transfer Agency Agreement; and

(v) the guaranty legend on each original Note (as hereinafter defined) issued on the Closing Date has been duly signed by A.I.D. in accordance with the provisions of the Contract of Guaranty and the Paying and Transfer Agency Agreement and each such original Note is entitled to the benefits of the Contract of Guaranty, provided that the holder thereof is an "eligible investor" within the meaning of the Act, and new Notes duly issued and authenticated by the Paying Agent upon the assignment or exchange of outstanding Notes pursuant to Section 3 or Section 4 of the Paying and Transfer Agency Agreement with a manual or facsimile signature of an authorized officer of A.I.D. endorsed or imprinted on the guaranty legend are entitled to the benefits of the Contract of Guaranty, provided that, in each such case, the registered holder thereof is an "eligible investor" within the meaning of the Act.

Such opinion shall also state that it may be relied upon by the Assignee of a Note who takes such Note in compliance with the terms of this Agreement, the Paying and Transfer Agency Agreement and the Contract of Guaranty and who is an "eligible investor" within the meaning of the Act to the same extent as if such opinion had been addressed to such Assignee.

(B) The Investor and the Paying Agent shall have received from A.I.D. a certificate of the Director or Deputy Director, Office of Housing and Urban Programs, or from some other duly authorized person, designating by name the representative(s) of A.I.D. authorized to sign the Contract of Guaranty, to consent to the Paying and Transfer Agency Agreement, to sign, either by manual or facsimile signature, the guaranty legend on the Notes in accordance with Section 5.01 of the Contract of Guaranty and Section 2 of the Paying and Transfer Agency Agreement so as to make each Note an Eligible Note entitled to the benefits of the Contract of

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Guaranty, and to deliver any orders, notices, requests or other instruments pursuant to this Agreement, the Contract of Guaranty or the Paying and Transfer Agency Agreement. A.I.D. may from time to time designate additional authorized representative(s) of A.I.D. to sign the guaranty legend on the Notes and to deliver any orders, notices, requests or other instruments pursuant to this Agreement, the Contract of Guaranty or the Paying and Transfer Agency Agreement by written notice to the Paying Agent. The Investor shall also have received from A.I.D. a certificate of the Director or Deputy Director, Office of Housing and Urban Programs, certifying as to each fiscal year in which guaranties of the Loan were authorized, the principal amount of the authorization made in each such year, that the amount of such authorization was within any applicable limitation, and that the amount of such authorization, together with all other amounts authorized during such year for guaranties by A.I.D. pursuant to Section 222 of the Act was not in excess of any applicable limitation for such year.

(C) A.I.D., the Investor and the Paying Agent shall have received an opinion addressed to A.I.D., the Investor and the Paying Agent, and satisfactory in form and substance to A.I.D., the Investor and the Paying Agent, of the _____, Counsel to the Borrower, to the effect that, under the laws of

(i) the execution and delivery of this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement (a) are within the legal authority of the Borrower, (b) have been duly authorized by the Borrower by all required legal action, (c) will not violate any provision of any applicable law, decree or regulation, or any order of any court within and (d) will not conflict with, or result in a breach of, any of the terms, conditions or provisions of any agreement or instrument to which the Borrower is a party;

(ii) this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement have been duly executed by and in the name of the Borrower by duly authorized persons, and have been approved as required by law, and no publication, registration or further approval thereof is required;

(iii) this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement

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constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms; and

(iv) the Notes, when issued and delivered pursuant to this Agreement and the Paying and Transfer Agency Agreement, will constitute legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms and will be backed by the full faith and credit of the Borrower.

Such opinion shall also cover such other matters relating to the laws of _____ incident to the transactions contemplated by this Agreement, the Paying and Transfer Agency Agreement, and the Implementation Agreement as A.I.D., the Investor or the Paying Agent may reasonably request.

(D) A.I.D. shall have received an opinion, addressed to A.I.D. and satisfactory to A.I.D., of the Attorney General of _____ (a copy of this opinion shall be supplied to the Investor and to the Paying Agent), to the effect that, under the laws of _____

(i) the execution and delivery of the Indemnity Agreement (a) is within the legal authority of the Government of _____ (b) has been duly authorized by the Government of _____ by all required legal action, (c) will not violate any provision of any applicable law, decree, or regulation or any order of any court of _____, and (d) will not conflict with, or result in a breach of, any of the terms, conditions, or provisions of any agreement or instrument to which the Government of _____ is a party; and

(ii) the _____ Indemnity Agreement has been duly executed by and in the name of the Government of _____ by a duly authorized person, constitutes a legal, valid, and binding obligation of the Government of _____ enforceable in accordance with its terms, has been approved as required by law (no publication, registration, or further approval being required), and is backed by the full faith and credit of the Government of _____

Such opinion shall also cover such other matters relating to the laws of Barbados incident to the transactions contemplated by the _____ Indemnity Agreement as A.I.D. may reasonably request.

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(E) The Investor shall have received a Note or Notes of the Borrower in the aggregate principal amount of Million Dollars (\$,000,000), each dated the Closing Date, and each registered in such name or names as the Investor shall have previously designated in writing (the "original Notes"). Each such Note shall be duly executed by the Borrower, the A.I.D. guaranty legend endorsed thereon shall be duly executed by A.I.D., and the certificate of authentication thereon shall be manually executed by a duly authorized representative of the Paying Agent, all as provided for and in accordance with the provisions of Section 2 of the Paying and Transfer Agency Agreement. The Investor shall also have received executed copies of the written order of the Borrower directing the Paying Agent to authenticate the Notes and the written consent of A.I.D. to such authentication delivered to the Paying Agent in accordance with Section 2(a) of the Paying and Transfer Agency Agreement.

(F) All representations and warranties of Borrower set forth in Section 2.01 hereof shall be true and correct to the same extent as if made on and as of the Closing Date, this Agreement shall be in full force and effect on such date, and no default hereunder shall have occurred and be continuing; the Investor, A.I.D. and the Paying Agent shall have received a satisfactory certificate to the foregoing effect, dated the Closing Date and signed by an authorized officer of the Borrower; and the Contract of Guaranty shall be in full force and effect on the Closing Date, and no default by A.I.D. thereunder shall have occurred and be continuing.

(G) The Investor shall have received an opinion, addressed to the Investor and dated the Closing Date, of special counsel for the Investor (a copy of this opinion shall be supplied to A.I.D., to the Borrower and to the Paying Agent), which opinion shall not be unreasonably withheld by such counsel and shall be sought in good faith by the Investor, to the effect that:

(i) the Contract of Guaranty has been duly authorized, executed and delivered by the United States of America and constitutes a legal, valid and binding obligation of the United States of America in accordance with its terms, and the guaranty set forth in the Contract of Guaranty relating to the Notes is backed by the full faith and credit of the United States of America;

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(ii) the Notes are exempted securities within the meaning of laws administered by the Securities and Exchange Commission and need not be registered under the Securities Act of 1933, as amended; and

(iii) the guaranty legend on each original Note issued and delivered on the Closing Date in accordance with this Agreement and the Paying and Transfer Agency Agreement has been duly signed by A.I.D. in accordance with the provisions of the Contract of Guaranty and the Paying and Transfer Agency Agreement, and each such original Note is entitled to the benefits of the Contract of Guaranty, provided that, in each such case, the registered holder thereof is an "eligible investor" within the meaning of the Act.

Such opinion shall also state that it may be relied upon by any Assignee who takes a Note in compliance with the terms of this Agreement, the Paying and Transfer Agency Agreement and the Contract of Guaranty and who is an "eligible investor" within the meaning of the Act to the same extent as if this opinion had been addressed to such Assignee.

(H) All instruments and agreements relating to the transactions contemplated hereby, by the Paying and Transfer Agency Agreement, by the Contract of Guaranty and by the Implementation Agreement and all legal and administrative actions taken or to be taken on or prior to the Closing Date in connection with this Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement and the Contract of Guaranty shall be satisfactory in form and substance to A.I.D., to the Investor and to the Paying Agent, and A.I.D., the Investor and the Paying Agent shall have received copies of all such documents or other evidence as they may reasonably request in order to verify the foregoing.

SECTION 3.02. Closing.

(A) All documents required to be delivered for the closing hereunder (the "Closing") shall be dated the Closing Date, except for the request for disbursement pursuant to Section 1.01. Any document delivered to the Investor, A.I.D. and the Paying Agent hereunder (including any document delivered in advance of the deadline for such delivery) shall be deemed true and correct as of the date appearing on its face, and the Investor, A.I.D. and the Paying Agent

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shall be entitled to rely on the contents of any such document. In the event that circumstances may arise subsequent to the preparation of any such document furnished by or on behalf of the Borrower or counsel for the Borrower and prior to the Closing Date having the effect of rendering untrue any statement of fact, representation or opinion contained in any such document, the Borrower shall advise the Investor, A.I.D. and the Paying Agent promptly of such circumstances.

(B) If the Loan proceeds are not disbursed on the Closing Date because the Investor, A.I.D. or the Paying Agent failed to receive any document required to be delivered on the Closing Date at least one (1) business day prior to the Closing Date in form and substance as required by this Agreement, the Contract of Guaranty or the Paying and Transfer Agency Agreement, the Loan proceeds may be disbursed to the Borrower at the option of the Investor, with the consent of A.I.D. (which consent shall be deemed conclusively to have been given by A.I.D. if A.I.D. delivers its written consent referred to in Section 2(a) of the Paying and Transfer Agency Agreement), and the consent of the Borrower, at any time within ten (10) business days of the Closing Date, and the Closing shall be deemed to have occurred as of the Closing Date for all purposes of this Agreement and the Contract of Guaranty. Notwithstanding the disbursement of the Loan proceeds after the Closing Date, the Investor, or such party or parties as the Investor shall have previously designated in writing, shall be entitled to interest in accordance with the terms of the Note or Notes and this Agreement as if the Loan proceeds had been disbursed on the Closing Date and the Investor, or such party or parties as the Investor shall have previously designated in writing, shall not be responsible to the Borrower for accrued interest as a consequence thereof.

(C) If the Loan proceeds, or any portion thereof, are not disbursed to the Borrower on the Closing Date because the Investor, A.I.D. or the Paying Agent failed to receive any document required for the Closing at least one (1) business day prior to the Closing Date in form and substance as required by this Agreement or the Contract of Guaranty or because A.I.D. instructed that such Loan proceeds were not to be disbursed directly to the Borrower because of non-compliance by the Borrower with certain conditions of the Implementation Agreement, then such Loan proceeds will be disbursed by the Investor, at the direction of A.I.D. (which direction shall be deemed conclusively to have been given by

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A.I.D. if A.I.D. delivers its written consent referred to in Section 2(a) of the Paying and Transfer Agency Agreement), and with the consent of the Borrower, into an "Escrow Account" to be established pursuant to an "Escrow Agreement" to be entered into among the Borrower, The Riggs National Bank of Washington, D.C., and A.I.D. and to be in form and substance satisfactory to A.I.D.; provided, however, that the Investor shall not be obligated to make the disbursement of such Loan proceeds pursuant to this Section 3.02(C) unless the conditions of Sections 1.01 and 3.01(A), (B), (E), (G) and (H) hereof are complied with to the satisfaction of the Investor. In such event, such Loan proceeds will be disbursed out of the Escrow Account to the Borrower only in accordance with the terms of the Escrow Agreement. In the event that all of such Loan proceeds have not been disbursed out of the Escrow Account in accordance with the Escrow Agreement, A.I.D. may require the prepayment of the Notes, in whole or in part, in accordance with Section 4.02(B).

(D) The Paying Agent shall affix to each Note a proper amortization schedule substantially in the form as set forth in the Annex to Attachment 1 to this Agreement and shall supply a copy thereof to the Borrower and to A.I.D. Each such amortization schedule shall include all payments of principal and interest due on such Note from the date of issuance of such Note until the final maturity of such Note. Any such amortization schedule so affixed shall be prepared pursuant to Section 4.01 and be incorporated into the terms of such Note as though affixed thereto by the Borrower, and the Investor, if it shall be a Noteholder, or the Assignee of any Note shall be entitled to payment in accordance therewith.

ARTICLE IV

Covenants on Payment of Notes

SECTION 4.01. Payments on Notes. The Borrower covenants and agrees that until payment in full of the principal of and interest on the Notes, the Borrower will pay or cause to be paid, the principal of and interest on each Note issued pursuant to this Agreement in Dollars pursuant to the terms of Section 5 of the Paying and Transfer Agency Agreement. The Notes shall bear interest from the Closing Date at the rate of % per annum (computed on the basis of a 360-day year of twelve 30-day months) and at the rate of % (computed on the same basis as provided above) on any overdue principal and (to the extent permitted by applicable law) on any overdue interest. Interest shall be payable on

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the Notes on each January 1 and July 1, commencing on 1, and continuing until the payment in full of the Notes, to the registered holders of the Notes on the immediately preceding December 15 or June 15 (whether or not a Business Day), as the case may be (the "Record Dates"). The principal amount of the Notes shall be payable in () equal, consecutive installments, payable on each January 1 and July 1, commencing on 1, and ending on 1, (each date on which a payment of principal or interest is scheduled to be made being herein referred to as a "Payment Date"). The final installment of the principal of each Note shall be payable upon presentation and surrender of each Note at the principal corporate trust office of the Paying Agent, and all other installments of principal of each Note shall be payable, without presentation, to the registered holders on the Record Date for the related Payment Date. In the event that a Payment Date shall not be a Business Day, then the Borrower shall cause all payments to be made on such Payment Date to be made on the next succeeding Business Day, as if such succeeding Business Day were a Payment Date. "Business Day" is defined herein to mean a date on which banks in the District of Columbia of the United States of America are open for business. All payments shall be applied first to the interest accrued on a Note and then to the reduction of the principal thereof.

SECTION 4.02. Prepayments on the Notes.

(A) The Notes are not subject to prepayment prior to maturity at the option of the Borrower.

(B) In the event the Borrower materially breaches any of its undertakings or covenants under the Implementation Agreement and A.I.D., pursuant to the Section entitled "Rights of A.I.D." in the Implementation Agreement, requires the Borrower to prepay all or a part of the unpaid principal balance of the Notes outstanding under this Agreement with accrued interest thereon to the date of such payment, then upon at least forty-five (45) but not more than sixty (60) calendar days' prior written notice to the Paying Agent, the Notes are subject to prepayment at any time, in whole or in part, at a price equal to 100% of the principal amount of the Notes to be prepaid plus accrued interest thereon to the date of prepayment. Upon receipt of any such notice, the Paying Agent shall, at least thirty (30) calendar days prior to the date of prepayment, furnish written notice thereof to each registered holder of a Note at such holder's address as such shall appear on the Note Register maintained by the Paying Agent.

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(C) If less than the unpaid principal amount of all Notes outstanding is to be prepaid pursuant to Section 4.02(B), the Paying Agent shall allocate the amount to be applied to the prepayment of Notes on a pro rata basis as to all Notes outstanding. After any such prepayment, the remaining payments due on each Note shall be adjusted so as to re-amortize the remaining unpaid principal amount of each Note over the remaining number of scheduled Payment Dates on which installments of principal are due (which shall not be changed as a result of any such prepayment) on an equal installment of principal basis, and a new amortization schedule shall be prepared reflecting such adjustments. The Paying Agent will distribute such revised amortization schedules to the registered holders of the Notes on the date of any such prepayment. The effect of any such prepayment shall thus only be to reduce the outstanding unpaid principal amount of the Notes and, on the basis of the amount remaining outstanding, re-amortize the Notes over the remaining scheduled principal payments on an equal installment of principal basis while retaining the same number of succeeding amortization payments as there were prior to prepayment.

SECTION 4.03. Local Taxation and Other Losses of the Investor. All payments of interest on and principal of the Notes, including all payments made under this Section 4.03, will be made free and clear of, and without liability for or deduction by the Borrower or any other party for, any and all present and future taxes, levies, imposts, deductions, penalties and withholdings whatsoever imposed, levied, collected or assessed thereon by or by any municipality or other political subdivision or taxing authority thereof (all such taxes, levies, imposts, deductions, penalties and withholdings hereinafter referred to as "Local Tax"); and if any Local Tax is imposed, levied, collected or assessed with respect thereto, the Borrower will, on behalf of the Investor or the Assignees, pay the same, or in the event that the Investor or Assignees have made such payment, or suffered or incurred such losses or expenses, hold the Investor or such Assignees harmless from and reimburse the Investor or such Assignees therefor so that the Investor or such Assignees will receive, net and free of all withholdings and deductions and all liability for such Local Tax and any such losses or expenses, an amount equal to the amount the Investor or such Assignees would have received if there had not been any such imposition, levy, collection or assessment or any such losses or expenses. The Investor or Assignees of Notes shall notify the Borrower and A.I.D. in writing of any refunds received

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by them of any amounts paid by the Borrower hereunder and shall pay such amounts so refunded as the Borrower may direct. The Investor or Assignees of Notes shall send to A.I.D. and the Borrower copies of any written notice or communications of any kind received by them with respect to any Local Tax arising from any payment of interest on or principal of the Notes, including all payments made under this Section 4.03.

All documentary stamp taxes or other similar taxes or fees now due and payable, or which hereafter become due and payable, under any applicable law of _____ in connection with the issuance of the Notes, the making by the Investor of the Loan, the receipt by the Investor, the Paying Agent, or Assignees of payments pursuant to the Notes, the enforcement in _____ by the Investor, the Paying Agent, Assignees or A.I.D. of any rights pursuant to this Agreement, the Paying and Transfer Agency Agreement, or the Implementation Agreement or the guaranty by the United States of America acting through A.I.D. of the Notes pursuant to the Contract of Guaranty, or otherwise in connection with the execution, delivery or performance of this Agreement, the Paying and Transfer Agency Agreement, the _____ Indemnity Agreement, or the Implementation Agreement, or the transactions contemplated hereby or thereby, shall be promptly and duly paid in full by the Borrower.

Notwithstanding the foregoing, the obligations of the Borrower contained in this Section 4.03 shall not apply to any Local Tax due or payable by the Investor or any Assignee by reason of the Investor's or such Assignee's doing business (other than the making of the Loan or the ownership of the Notes) in _____. For purposes hereof, determinations respecting doing business shall, respecting the Investor, be based on laws in effect on the date of this Loan Agreement and the Closing Date hereunder and, respecting any Assignee, on laws in effect on the date such Assignee became the owner of an Eligible Note, provided that the activities that constitute "doing business" under such laws are begun, respecting the Investor, prior to or on the date of this Loan Agreement and, respecting any Assignee, prior to or on the date such Assignee became the owner of an Eligible Note; provided further, however, that if the Investor changes its activities in _____ after the date of this Loan Agreement or if an Assignee changes its activities in _____ to _____ which such Local Tax shall be due and payable after the date on which it became the owner of an Eligible Note, then the determination whether such new activities constitute "doing

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business" in shall be based on laws in effect in the at the time that such new activities were begun.

ARTICLE V

Additional Covenants, Warranties and Conditions

SECTION 5.01. Assignments.

(A) This Agreement and the representations, warranties and covenants contained herein shall be binding upon and shall inure to the benefit of the successors of the Investor and to such persons to whom the Investor or any Assignee may assign a Note pursuant to the terms of this Agreement to the extent permitted by law, provided, however, that no Assignee shall be subject to the obligations, warranties and covenants made binding upon the Investor by this Agreement, except for those obligations, warranties and covenants set forth in Sections 2.05, 3.02, 4.03 and 7.01(A) of the Contract of Guaranty and provided further, however, that any Assignee's rights to payment under the Note or Notes held by it are subject to the terms and conditions of this Agreement, the Paying and Transfer Agency Agreement and the Contract of Guaranty, including the condition that each Assignee must be an "eligible investor" as presently defined in Section 238(c) of the Act at the time of the assignment of a Note to it. Subject to the provisions of the Contract of Guaranty and the Paying and Transfer Agency Agreement, the Investor may at any time assign its rights and obligations under this Agreement, but no such assignment shall relieve the Investor of its obligation to make the Loan to the Borrower pursuant to this Agreement.

(B) This Agreement shall not be assigned by the Borrower in whole or in part without the prior written consent of the Investor, each Assignee and A.I.D.

(C) In the event that the Investor or any Assignee shall desire to assign or otherwise transfer any Note, the Investor or such Assignee may assign a Note pursuant to the terms of Section 3 of the Paying and Transfer Agency Agreement (it being understood that pursuant to such Section no transfer of a Note shall result in the Notes being registered in the names of more than five (5) Noteholders).

SECTION 5.02. Replacement and Reissues of Notes.

(A) In the event that any Note shall become mutilated or be destroyed, lost, or stolen, the holder of such Note

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may obtain a new Note pursuant to the terms and subject to the conditions of Section 4 of the Paying and Transfer Agency Agreement.

(B) In the event that the Investor or any Assignee of a Note or Notes shall desire to obtain a Note or Notes of a different denomination, the Investor or such Assignee may obtain a new Note or Notes in such authorized denomination or denominations as desired pursuant to the terms of Section 3 of the Paying and Transfer Agency Agreement. The Notes are issuable in fully registered form only and in minimum denominations of (exclusive of any repayments of principal) of _____ Dollars (\$ _____).

SECTION 5.03. Underwriting Fee. The Borrower shall pay a non-refundable underwriting fee to the Investor in an amount previously agreed upon by the Borrower and the Investor, such amount to be payable on the Closing Date and conditioned on the disbursement of the Loan, which fee may be retained by the Investor from the Loan proceeds disbursed on the Closing Date.

SECTION 5.04. Payment to A.I.D. of Excess Amounts Received by any Registered Holder of a Note. The Borrower hereby consents to any payments made by any registered holder of a Note pursuant to Sections 4.03(A) or (B) of the Contract of Guaranty to A.I.D. or such other party as A.I.D. may designate, and the Borrower agrees that, upon such payment by the holder, the holder shall be discharged from any liability or obligation to the Borrower to make such payments to the Borrower.

ARTICLE VI

Events of Default

SECTION 6.01. Events of Default. The happening of one or more of the following shall constitute an Event of Default:

(A) The Borrower shall fail to make any payment of principal of or interest (including any amounts payable pursuant to Section 4.03) on any Note when and as the same shall become due and payable in accordance with the provisions of such Note and this Agreement, and the continuance of such failure for thirty (30) calendar days.

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(B) The Borrower shall fail in the due observance or performance of any other covenant or condition in this Agreement required to be kept or performed by the Borrower and the continuance of such failure for thirty (30) calendar days after notice specifying such failure shall have been received by the Borrower.

(C) Any material representation or warranty made by the Borrower in this Agreement; or in any certificate or other document delivered by the Borrower to comply with any condition or to fulfill any requirement of this Agreement, shall prove inaccurate or untrue in any material respect.

SECTION 6.02. Acceleration of the Notes. In the case of the happening of one or more Events of Default, as defined in Section 6.01, then, and in each and every such case, during the continuance of any such Event of Default, unless the principal of all the Notes shall have already become due and payable, the Investor, if it holds any Notes, and any Assignee by notice to the Borrower, with a copy to A.I.D., may declare the then outstanding principal amount of all the Notes held by the Investor or such Assignee to be, and upon any such declaration the same shall become and be, immediately due and payable, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, provided that no such action shall be taken by the Investor or such Assignee in connection with any Event of Default of the character described in paragraphs (B) or (C) of Section 6.01 without the prior approval of A.I.D. In the event that the Investor or such Assignee declares all the outstanding Notes held by it due and payable under this Section, and subsequently withdraws an Application for Compensation filed with respect to such Notes as provided in Section 3.03 of the Contract of Guaranty, the acceleration of such Notes under this Section shall be deemed to be of no effect, but the Investor or such Assignee shall be free to accelerate such Notes again, subject to the provisions of this Article VI.

SECTION 6.03. Nonwaiver of Remedies. No right or remedy conferred upon the Investor or any Assignee in this Agreement or upon A.I.D. as subrogee of the Investor or such Assignee is intended to be exclusive of any other right or remedy, and each and every such right and remedy shall be cumulative in addition to any other right or remedy conferred upon the Investor, such Assignee or A.I.D. hereunder, or now or hereafter provided by any applicable laws or regulations. The failure of the Investor, such

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Assignee or A.I.D. to insist at any time upon the strict performance or observance of any covenant, agreement or condition contained in this Agreement or to exercise any right, remedy or power available to the Investor, such Assignee or A.I.D. shall not constitute a waiver or relinquishment thereof at that time or thereafter.

ARTICLE VII

Miscellaneous

SECTION 7.01. Notice. Any communication, advice, request, consent, document, notice or direction given, made, sent or withdrawn pursuant to this Agreement shall be in writing, in the English language, shall refer to " :
A.I.D. Housing Guaranty Project HG " and shall be deemed to have been duly given to and received by any of the following persons on the day it shall be actually received by such person at the address specified below:

To the Investor:

Mail Address:

Telex No.: _____

To the Borrower:

Mail Address:

Telex No.: _____

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To the Paying Agent:

Mail Address:

The Riggs National Bank of Washington, D.C.
Paying Agent for A.I.D.
Corporate Trust Division
1120 Vermont Avenue, N.W.
Fourth Floor
Washington, D.C. 20005
Attn: A.I.D. Housing Guaranty Project
-HG-

Telex Nos.: ITT 440103 (Answer back is RIGGS BK)
RCA 248363 (Answer back is RIGG UR)
Western Union 64110 (Answer back is RIGGSWSH)

Cable Address: RIGGSBANK WASH

To A.I.D.:

Mail Address:

Office of Housing and Urban Programs
Room 625, SA-12
Agency for International Development
Department of State
Washington, D.C. 20523
Attn: A.I.D. Housing Guaranty Project
HG

Telex Nos.: ITT 89-27-03
RCA 24-83-79

Cable Address: AID WASH DC

To Each Assignee:

At such address as shall appear for such person upon the Note Register maintained pursuant to Section 3 of the Paying and Transfer Agency Agreement.

Other addresses may be substituted for the above upon the giving of notice of such substitution in the manner provided in this Section 7.01.

SECTION 7.02. Term. The term of this Agreement shall be from the date hereof until payment in full of (i) the principal of and interest on the Notes, (ii) all other sums

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payable by the Borrower under this Agreement, and (iii) all sums payable to A.I.D. under this Agreement, the Contract of Guaranty, and the Implementation Agreement.

SECTION 7.03. Amendments and Waivers.

(A) Subject to Section 6.02 of the Contract of Guaranty, this Agreement may be amended by the Borrower and the holders of not less than 66-2/3% in principal amount of all the Notes at the time outstanding; provided, however, that (i) if any such amendment would change the terms of payment of the principal of, or interest on, or any additional amounts payable on any Note as provided in Sections 4.01 and 4.03 hereof or the terms and conditions of prepayment thereof as provided in Section 4.02 hereof or Sections 6.01 or 6.02 hereof or modify in any manner adverse to the holders of the Notes the terms and conditions of the Contract of Guaranty or affect the rights of holders of less than all the Notes at the time outstanding, the consent of the holders of all outstanding Notes shall be required, and (ii) if any such amendment would reduce the aforesaid percentage required for authorization of such amendment, the consent of the holders of all outstanding Notes shall be required.

(B) Subject to Section 6.02 of the Contract of Guaranty, no waiver of any provision of this Agreement, or consent to any departure therefrom, shall be effective unless the consent of the holders of not less than 66-2/3% in principal amount of all the Notes at the time outstanding shall have been obtained; provided, however, that (i) no waiver of the payment terms of any Note (including the provisions of Sections 4.01, 4.02 and 4.03 hereof) shall be effective unless given by the holder of such Note, and (ii) no waiver of the benefits of the Contract of Guaranty shall be effective with respect to the holder of a Note unless given by such holder. Any such waiver or consent shall be effective only in the specific instance and for the purpose for which it is given. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in the same, similar or other circumstances.

SECTION 7.04. Termination. In the event that A.I.D., pursuant to Section 7.02 of the Contract of Guaranty, gives notice to the Investor suspending or terminating its obligation to sign the guaranty legend on the Notes, and, if A.I.D. does not withdraw such notice within ninety (90)

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calendar days thereof by a further notice to the Investor pursuant to said Section 7.02, the Investor may at its option, by notice to the Borrower and A.I.D., terminate its obligation to make the disbursement hereunder.

SECTION 7.05. Definitions. The terms used herein shall have the same meaning as in the Contract of Guaranty unless otherwise defined herein.

SECTION 7.06. Integration. This Agreement, together with the Paying and Transfer Agency Agreement, Contract of Guaranty, Implementation Agreement, and Escrow Agreement, if any, embodies the entire agreement and understanding among the parties hereto relating to the subject matter hereof and supersedes all prior agreements and understandings among such parties which relate to such subject matter.

SECTION 7.07. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, United States of America, provided, however, that any rights accruing to A.I.D. hereunder shall be governed by and construed in accordance with the law of the United States of America governing contracts and commercial transactions of the United States Government.

IN WITNESS WHEREOF, the Borrower and the Investor, each acting through its respective duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date first above written.

GOVERNMENT OF

By: _____

Name: _____

Title: _____

By: _____

Name: _____

Title: _____

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Attachment 1 to
Loan Agreement

No. _____ \$ _____ (U.S.)

GOVERNMENT OF

‡ PROMISSORY NOTE

FOR VALUE RECEIVED, the GOVERNMENT OF _____, acting through the Ministry of _____ (the "Borrower"), promises to pay to _____ (the "Payee"), as registered owner, or registered assigns, the principal sum of _____ Dollars (\$ _____), as herein provided, in lawful money of the United States of America ("Dollars"), together with interest at the rate of _____ % per annum (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal amount hereof from the date hereof, and at the rate of _____ % per annum (computed on the same basis as provided above) on any overdue principal amount and (to the extent permitted by applicable law) on any overdue interest, until the payment in full of such principal amount and all accrued interest thereon. The Borrower shall pay interest on this Note semi-annually on each January 1 and July 1, commencing on _____ 1, _____ and continuing until the payment in full of this Note, to the registered holder of this Note on the immediately preceding December 15 or June 15 (whether or not a Business Day), as the case may be (the "Record Dates"). The Borrower shall pay the principal amount of this Note in _____ () equal, consecutive semi-annual installments commencing on _____ 1, _____ and on each January 1 and July 1 thereafter, continuing to and including _____ 1, _____ (each date on which a payment of principal or interest is scheduled to be made being herein referred to as a "Payment Date"), as specified in the amortization schedule attached to and made a part of this Note. In the event that a Payment Date shall not be a Business Day (as hereinafter defined), then the Borrower shall cause all payments to be made on such Payment Date to be made on the next succeeding Business Day, as if such succeeding Business Day were a Payment Date. "Business Day" is defined herein to mean a date on which banks in the District of Columbia of the United States of America are open for business.

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This Note is not subject to prepayment prior to maturity at the option of the Borrower. This Note is otherwise subject to prepayment prior to maturity as provided for in Section 4.02 of the Loan Agreement hereinafter referred to.

The transfer of this Note is registrable by the registered holder hereof or by his attorney duly authorized in writing at the principal corporate trust office of the Paying Agent (as hereinafter defined) in Washington, D.C., upon surrender of this Note for cancellation duly endorsed by the registered holder or his attorney duly authorized in writing, and thereupon such new Note or Notes of like tenor for the same aggregate principal amount will be issued in the name of the transferee or transferees in exchange herefor; provided, however, that no transfer of a Note will be made by the Paying Agent if such transfer would result in the Notes (as hereinafter defined) being registered in the names of more than five (5) Noteholders. At the principal corporate trust office of the Paying Agent, this Note may be exchanged for a like aggregate principal amount of Notes of like tenor of other denominations upon the surrender of this Note.

Prior to due presentment for registration of transfer, the Borrower, any agent of Borrower, and the Agency for International Development ("A.I.D.") may deem and treat the person in whose name this Note shall be registered as the absolute owner of this Note, whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon, for the purpose of receiving payment hereof or of interest or additional amounts payable hereon and for all other purposes whatsoever, and the Borrower, any agent of Borrower and A.I.D. shall not be affected by any notice to the contrary, all subject to applicable law.

This Note is one of the § Notes (the "Notes") of the Borrower, which Note is issued as provided in a loan agreement, dated as of July 1, 1983, and any and all amendments thereto (the "Loan Agreement"), between the Borrower and (the "Investor") to which Loan Agreement reference is hereby made for the terms and provisions thereof and additional rights, and limitations of such rights, of the Borrower and the Payee, including, without limitation, provision for the acceleration of the maturity hereof, the prepayment of amounts due hereunder either at the option of the Borrower or at the direction of A.I.D., the transfer or assignment of this Note and the payment of amounts hereunder free from taxation. The Notes are issuable in fully registered form only and in minimum denominations (exclusive of any repayments of principal) of Dollars (§). Payment of the final installment of principal and interest on this Note,

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either at its stated maturity, or in connection with the prepayment in full of this Note, will be made upon presentation hereof at the principal corporate trust office of The Riggs National Bank of Washington, D.C., paying agent for the Borrower, or any successor paying agent (the "Paying Agent"), pursuant to a paying and transfer agency agreement, dated as of July 1, , and any and all amendments thereto (the "Paying and Transfer Agency Agreement"), between itself and the Borrower, such payment to be made, at the option of the registered holder hereof, either by check or by wire transfer in immediately available funds to such account at such bank in the United States as such holder shall direct. All other payments on account of interest and principal on the Note shall be made to the registered holder hereof on the applicable Record Date either by check mailed to the registered holder hereof at the address of such holder as the same shall appear on the Note Register, maintained by the Paying Agent or by wire transfer in immediately available funds to such account at such bank in the United States as such holder shall direct. This Note is expressly made subject to and shall be bound by all of the provisions of the Loan Agreement and the Paying and Transfer Agency Agreement as if all said provisions were herein expressly set forth. A copy of the Loan Agreement and the Contract of Guaranty are on file and may be examined at the office of the Paying Agent. For a description of the duties and immunities of the Paying Agent under the Paying and Transfer Agency Agreement, reference is made to the Paying and Transfer Agency Agreement, a copy of which is on file and may be examined at such office of the Paying Agent. This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been manually executed by the Paying Agent.

IN WITNESS WHEREOF, the Borrower has caused this Note to be duly executed as a sealed instrument this _____ day of _____, 19__.

By: _____

Name: _____

Title: _____

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UNITED STATES OF AMERICA GUARANTY LEGEND

THIS NOTE IS GUARANTEED BY THE UNITED STATES OF AMERICA AS PROVIDED IN THE CONTRACT OF GUARANTY, DATED AS OF _____, AND ANY AND ALL AMENDMENTS THERETO, BETWEEN THE UNITED STATES OF AMERICA, ACTING THROUGH THE AGENCY FOR INTERNATIONAL DEVELOPMENT, AND _____, AND IS EXPRESSLY MADE SUBJECT TO ALL THE PROVISIONS THEREOF AS IF ALL OF SAID PROVISIONS WERE EXPRESSLY SET FORTH HEREIN. THIS GUARANTY IS LIMITED TO ELIGIBLE INVESTORS AS DEFINED IN SECTION 238(c) OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED, AND ACCEPTANCE OF THIS NOTE BY AN ASSIGNEE SHALL BE DEEMED TO BE A REPRESENTATION BY SUCH ASSIGNEE THAT IT IS SUCH AN ELIGIBLE INVESTOR.

AGENCY FOR INTERNATIONAL DEVELOPMENT

By: _____
Authorized Representative

Name: _____

Title: _____

Date: _____

: A.I.D. Housing Guaranty Project -HG-

CERTIFICATE OF AUTHENTICATION

This is one of the Notes described in the within mentioned Loan Agreement.

THE RIGGS NATIONAL BANK OF
WASHINGTON, D.C., as Paying Agent

By _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, THE UNDERSIGNED DOES HEREBY
SELL, ASSIGN, AND TRANSFER UNTO

(NAME AND ADDRESS OF TRANSFEREE)

ALL ITS RIGHT, TITLE, AND INTEREST IN AND TO THE WITHIN
INSTRUMENT.

(NAME OF TRANSFEROR)

(DATE)

By _____
(SIGNATURE)

(TITLE)

Evidence of the authority of any person signing on behalf of a corporation, bank, savings and loan association, trust or any other legal entity must be submitted to accomplish transfer. The signature must also be guaranteed by a commercial bank or a broker who is a member of a nationally recognized stock exchange.

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: A.I.D. Housing
Guaranty Project -HG-

CONTRACT OF GUARANTY, dated as of _____, between the United States of America, acting through the Agency for International Development ("A.I.D."), and _____, a national banking association organized and existing under the laws of the United States of America (the "Investor").

WHEREAS, the Investor and _____ (the "Borrower"), have entered into a loan agreement, dated as of the date hereof ("Loan Agreement"), providing that the Investor will make a loan to the Borrower, evidenced by _____ & promissory notes of the Borrower (the "Notes"), in the aggregate principal amount of _____ Million United States Dollars ("Dollars") (\$ _____,000,000) (the "Loan");

WHEREAS, A.I.D. and the _____ have entered into an implementation agreement, dated as of _____ (the "Implementation Agreement"), providing for the use of the Loan proceeds received by the Borrower pursuant to the Loan Agreement, a copy of the Implementation Agreement having been furnished by A.I.D. to the Investor and to the Paying Agent (as hereinafter defined);

WHEREAS, A.I.D. will guarantee the Loan in an aggregate principal amount of _____ Million Dollars (\$ _____,000,000) to be made by the Investor to the Borrower, evidenced by one or more Notes of the Borrower, pursuant to the Loan Agreement;

WHEREAS, the _____ and A.I.D. have entered into a _____ agreement, dated as of the date hereof (the "_____ Agreement"), a copy of which will be furnished to the Investor and to the Paying Agent (as hereinafter defined), providing for the _____ backed by the full faith and credit of the _____

the Loan to be made by the Investor to the Borrower pursuant to the Loan Agreement; and

WHEREAS, The Riggs National Bank of Washington, D.C. and the Borrower have entered into a paying and transfer agency agreement, consented to by A.I.D., dated as of the date hereof (the "Paying and Transfer Agency Agreement"), pursuant to which The Riggs National Bank of Washington, D.C. has agreed, among other things, to act as the Borrower's agent (the "Paying Agent") in maintaining a Note Register and in distributing the Borrower's debt service payments on the Notes to the Noteholders (as defined in the Loan Agreement);

— NOW, THEREFORE, A.I.D. and the Investor hereby agree as follows:

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: A.I.D. Housing
Guaranty Project -HG-

CONTRACT OF GUARANTY, dated as of _____, 1983, between the United States of America, acting through the Agency for International Development ("A.I.D."), and _____, a national banking association organized and existing under the laws of the United States of America (the "Investor").

WHEREAS, the Investor and _____ (the "Borrower"), have entered into a loan agreement, dated as of the date hereof ("Loan Agreement"), providing that the Investor will make a loan to the Borrower, evidenced by _____ & promissory notes of the Borrower (the "Notes"), in the aggregate principal amount of _____ Million United States Dollars ("Dollars") (\$ _____,000,000) (the "Loan");

WHEREAS, A.I.D. and the _____ have entered into an implementation agreement, dated as of _____ (the "Implementation Agreement"), providing for the use of the Loan proceeds received by the Borrower pursuant to the Loan Agreement, a copy of the Implementation Agreement having been furnished by A.I.D. to the Investor and to the Paying Agent (as hereinafter defined);

WHEREAS, A.I.D. will guarantee the Loan in an aggregate principal amount of _____ Million Dollars (\$ _____,000,000) to be made by the Investor to the Borrower, evidenced by one or more Notes of the Borrower, pursuant to the Loan Agreement;

WHEREAS, the _____ and A.I.D. have entered into a _____ agreement, dated as of the date hereof (the "_____ Agreement"), a copy of which will be furnished to the Investor and to the Paying Agent (as hereinafter defined), providing for the _____ backed by the full faith and credit of the _____

the Loan to be made by the Investor to the Borrower pursuant to the Loan Agreement; and

WHEREAS, The Riggs National Bank of Washington, D.C. and the Borrower have entered into a paying and transfer agency agreement, consented to by A.I.D., dated as of the date hereof (the "Paying and Transfer Agency Agreement"), pursuant to which The Riggs National Bank of Washington, D.C. has agreed, among other things, to act as the Borrower's agent (the "Paying Agent") in maintaining a Note Register and in distributing the Borrower's debt service payments on the Notes to the Noteholders (as defined in the Loan Agreement);

NOW, THEREFORE, A.I.D. and the Investor hereby agree as follows:

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ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Wherever used in this Contract of Guaranty:

(A) "Application for Compensation" means an executed application in the form of Exhibit A hereto which the Investor or any Assignee files with A.I.D. pursuant to Section 3.01.

(B) "Date of Application" means the effective date of an Application for Compensation filed with A.I.D. pursuant to Section 3.01.

(C) "Date of Default" means a date on which, pursuant to Section 6.02 of the Loan Agreement, the Investor or any Assignee declares due and payable the principal of all Notes held by it then outstanding.

(D) "Eligible Note(s)" means a Note(s) on which the guaranty legend has been signed on behalf of A.I.D. by either a manual signature or a facsimile signature of an authorized representative of A.I.D. pursuant to Section 5.01 hereof and the certificate of authentication has been manually signed by the Paying Agent pursuant to the terms of the Paying and Transfer Agency Agreement.

(E) "Guaranty Payment Date" means the date sixty (60) calendar days after the related Date of Application; provided that (i) compensation to the person filing the related Application for Compensation is due and payable on such date, in accordance with the terms of this Contract of Guaranty, and (ii) tender of the assignment referred to in Section 3.02 is made as therein provided.

(F) "Investment" respecting any Eligible Note means the principal amount evidenced by such Eligible Note, but in no event to exceed an aggregate principal amount of Million Dollars (\$,000,000).

(G) "Outstanding Investment" respecting any Eligible Note means the Investment less the net amount of any repayments of principal of the Investment made by or on behalf of the Borrower or A.I.D.

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(H) "Further Guaranteed Payments" means the amount of any loss suffered by the Investor or by any Assignee by reason of Borrower's failure to make timely payments required to be made by Borrower under Section 4.03 of the Loan Agreement.

(I) "Loss of Investment" respecting any Eligible Note means an amount in Dollars equal to the total of the (i) Outstanding Investment determined as of the Date of Application, (ii) Further Guaranteed Payments unpaid as of the Date of Application and (iii) interest accrued and unpaid on the Outstanding Investment and Further Guaranteed Payments to and including the date on which full payment thereof is made to the Investor or any Assignee.

(J) "Assignee" means the owner of an Eligible Note who is registered as such on the Note Register of Eligible Notes required to be maintained by the Paying Agent pursuant to Section 3 of the Paying and Transfer Agency Agreement and who is an "eligible investor" as defined in Section 238(c) of the Foreign Assistance Act of 1961, as amended (the "Act") at the time that he is registered as a holder of an Eligible Note.

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ARTICLE II
THE GUARANTY

SECTION 2.01. The Guaranty. Subject to the terms and conditions hereof, A.I.D. guarantees and agrees to pay to the Investor or any Assignee compensation in Dollars equal to the Loss of Investment less, respecting any amounts payable to the Investor, the Dollar amount of any and all portions of the Loss of Investment arising out of fraud or misrepresentation for which the Investor is responsible and less, respecting any amounts payable to an Assignee, the Dollar amount of any and all portions of the Loss of Investment arising out of fraud or misrepresentation for which such Assignee is responsible or arising out of fraud or misrepresentation for which the Investor is responsible and of which such Assignee had knowledge at the time of the assignment (the "Guaranty"). The Guaranty shall apply to each loan evidenced by an Eligible Note.

SECTION 2.02. Non-Impairment of the Guaranty. The Guaranty is a guaranty of payment and not of collection, and the full faith and credit of the United States of America is pledged to the performance of the Guaranty. The Guaranty shall not be affected or impaired by any defect in the authorization, execution, delivery or enforceability of any agreement or other document executed by the Investor or the Borrower in connection with the transactions contemplated by this Contract of Guaranty, the Loan Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, or the Escrow Agreement (as defined in the Loan Agreement), if any, other than, respecting any amounts payable to the Investor, by reason of fraud or misrepresentation for which the Investor is responsible, and, respecting any amounts payable to an Assignee, by reason of fraud or misrepresentation for which such Assignee is responsible or by reason of fraud or misrepresentation for which the Investor is responsible and of which such Assignee had knowledge at the time of the assignment, and no law, regulation or decree now or hereafter in effect in any jurisdiction which might in any manner affect the time of payment of the Notes or any terms or provisions of the Notes, the Loan Agreement or this Contract of Guaranty or any rights of the Investor or any Assignee under any of the foregoing shall affect or impair the Guaranty.

SECTION 2.03. Representations of the Investor. The Investor represents and warrants to A.I.D. as follows:

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(A) The Investor has not received from the Borrower any fee, other than the underwriting fee contemplated by Section 5.03 of the Loan Agreement and interest on any Note held by it, as compensation for the services to be performed by it under the Loan Agreement and, to the knowledge of the Investor (without conducting any independent investigation), the Borrower has not paid any fee to any other party in connection with obtaining this financing except that (i) The Riggs National Bank of Washington, D.C. will receive a fee payable by the Borrower for acting as Paying Agent under the Paying and Transfer Agency Agreement and will be reimbursed by the Borrower for expenses incurred by it in connection with the Closing (as defined in the Loan Agreement), (ii) if the Borrower is required to enter into an Escrow Agreement, The Riggs National Bank of Washington, D.C. will receive a fee payable by the Borrower for acting as Escrow Agent under the Escrow Agreement and (iii) A.I.D. will receive the A.I.D. Guaranty Fee payable by the Borrower pursuant to the Implementation Agreement.

(B) It is an "eligible investor" as defined in Section 238(c) of the Act.

(C) It has full power and authority to enter into and carry out its obligations under this Contract of Guaranty and the Loan Agreement.

SECTION 2.04. Representations of A.I.D.

(A) A.I.D. represents and warrants that (i) as of the date hereof, the sum of Million Dollars (\$,000,000) (being the maximum aggregate amount of the Investment represented by all Eligible Notes) plus the face amounts of all other contracts of guaranty executed by A.I.D. on behalf of the United States of America under Section 222 of the Act and outstanding on the date hereof is not in excess of the maximum amount of guaranties authorized to be issued by A.I.D. under that Section, (ii) the terms of the Loan, including the aggregate principal amount thereof and the rate of interest borne by the Notes, are in compliance with the Act, (iii) the requirements of Section 223(j) of the Act have been satisfied in connection with A.I.D.'s guaranty of the Loan, and (iv) this Contract of Guaranty is entered into pursuant to and in accordance with the terms and provisions of the Act.

(B) Based upon the Investor's representation in Section 2.03(B), A.I.D. has determined that the Investor is an "eligible investor" as defined in Section 238(c) of the Act on the date hereof.

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(C) A.I.D. represents and warrants that the payment to be made to the Investor by the Borrower pursuant to Section 5.03 of the Loan Agreement in no way affects or will affect the calculation of Loss of Investment.

SECTION 2.05. Transferability of Guaranty.

(A) This Contract of Guaranty and the rights of the Investor hereunder shall inure to the benefit of and be enforceable only by the Investor or any Assignee who shall appear as such in the Note Register required to be maintained by the Paying Agent pursuant to Section 3 of the Paying and Transfer Agency Agreement.

(B) The Investor or any Assignee may, at any time during the term hereof but prior to the filing of any Application for Compensation pursuant to Section 3.01 (unless an Application for Compensation shall have been paid in full by A.I.D. or withdrawn by the Investor or any Assignee), assign, transfer or pledge its right, title and interest, pursuant to Section 3 of the Paying and Transfer Agency Agreement and Section 5.01 of the Loan Agreement, in and to any or all of the Eligible Notes, and its right and interest in and to the Loan Agreement and this Contract of Guaranty and the payments due thereunder and hereunder in respect of such Eligible Notes, and be released from its obligations hereunder (except those arising under Sections 4.03 and 7.01(A)) in respect of such Eligible Notes. Such assignment, transfer or pledge ("assignment") shall be effective on the date that the name of such new Assignee shall be entered upon the Note Register required to be maintained by the Paying Agent pursuant to Section 3 of the Paying and Transfer Agency Agreement. Any such Assignee shall be deemed to have agreed (i) to perform in accordance with Sections 3.02, 4.03, and 7.01 hereof, with respect to the right, title and interest so assigned, transferred or pledged ("assigned"); and (ii) to assume all of the obligations of the Investor hereunder (except that such Assignee shall not be obligated to make the disbursement of the Loan) including, without limitation, an assumption of responsibility for any fraud or misrepresentation with respect to such Eligible Notes for which the Investor is responsible and of which such Assignee had knowledge at the time of the assignment. Each such Assignee shall be deemed to have represented and warranted to A.I.D. that such Assignee is an "eligible investor" as defined in Section 2.06 hereof at the time that he is registered as a holder of an Eligible Note.

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From and after the effective date of any such assignment, the term "Investor" as used herein shall include, where applicable, any Assignee registered as such on the Note Register maintained by the Paying Agent pursuant to Section 3 of the Paying and Transfer Agency Agreement, and all payments required under this Contract of Guaranty to be made to the Investor in respect of any Eligible Note so assigned shall be made to such Assignee of the Investor. All obligations and rights of the Investor under this Contract of Guaranty shall continue unimpaired in respect of any Eligible Note not so assigned.

No assignment shall relieve the Investor of its obligation to A.I.D. to make the Loan to Borrower required by the Loan Agreement, subject to the terms and conditions of this Contract of Guaranty and the Loan Agreement.

SECTION 2.06. Limitation on Assignment of Guaranty. The Notes shall not be assigned except to an "eligible investor", as presently defined in Section 238(c) of the Act or, in the event such section shall hereafter be repealed or amended, to any other assignee as may hereafter be eligible in accordance with applicable United States law, at the time that he is registered as a holder of an Eligible Note.

SECTION 2.07. Guaranty Fee. A.I.D. acknowledges that satisfactory arrangements have been made for the payment to A.I.D. of the fee for the Guaranty (including the amounts to be paid at the time of the disbursement of the Loan and on each Payment Date (as defined in Section 4.01 of the Loan Agreement)) ("A.I.D. Guaranty Fee"). Neither the Investor nor any Assignee shall be liable for the payment of any portion of the A.I.D. Guaranty Fee. Failure of A.I.D. to receive the A.I.D. Guaranty Fee shall not impair the Investor's or any Assignee's rights under this Contract of Guaranty.

SECTION 2.08. The Loan. Subject to the terms and conditions of this Contract of Guaranty and the Loan Agreement, the Investor agrees to make the disbursement of the Loan to the Borrower required by the Loan Agreement.

SECTION 2.09. Note Register. Pursuant to the terms of the Paying and Transfer Agency Agreement and subject to Section 12 thereof, the Paying Agent shall maintain a Note Register. The names of all owners of Notes shall be entered upon such Note Register, and no assignment shall be effective

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as to A.I.D. or the Borrower (i) until the name of such Assignee has been entered upon such Note Register and a new Eligible Note (with the A.I.D. guaranty legend endorsed or imprinted thereon) issued in the name of such Assignee or (ii) if such assignment would result in the Notes being registered in the names of more than five (5) Noteholders. A.I.D., the Borrower and the Paying Agent shall be entitled to treat the persons in whose names the Notes are registered as the owners thereof for all purposes of this Contract of Guaranty and shall not be affected by notice to the contrary. Failure of the Paying Agent to perform any of its obligations pursuant to the Paying and Transfer Agency Agreement shall not impair the Investor's or any Assignee's rights under this Contract of Guaranty, but may be the subject of an action for damages against the Paying Agent by A.I.D. as a result of such failure or neglect; provided, however, that the Paying Agent is not authorized to issue and authenticate and have Notes outstanding at any time in excess of Million Dollars (\$,000,000).

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ARTICLE III

PROCEDURE FOR OBTAINING COMPENSATION

SECTION 3.01. Application for Compensation; Payment.
At any time after a Date of Default, the Investor or any Assignee may file with A.I.D. an Application for Compensation with respect to all Eligible Notes held by the Investor or such Assignee (any such holder of Eligible Notes so filing being hereinafter called an "Applicant"). In the case of an Assignee, such Application for Compensation must be accompanied by the written representation of such Assignee that he was an "eligible investor" within the meaning of Section 238(c) of the Act at the time that the Note held by him was assigned to him. Promptly upon receipt, A.I.D. agrees to furnish written notice to the Investor and all other Assignees of the filing of any such Application for Compensation. The effective date of filing an Application for Compensation shall be the date of its receipt by A.I.D. No Application for Compensation, other than an Application for Compensation with respect to Further Guaranteed Payments, shall be effective if the Date of Application is more than six (6) months after the Date of Default upon which such Application for Compensation is based. No Application for Compensation with respect to Further Guaranteed Payments shall be effective if the Date of Application is more than six (6) months after the Date of Default upon which such Application for Compensation is based and is more than six (6) months after the Applicant had knowledge of the failure of the Borrower to make payment pursuant to Section 4.03 of the Loan Agreement. On or before the Guaranty Payment Date, A.I.D. shall pay or cause to be paid to Applicant the compensation due hereunder in Dollars at the office of A.I.D. in Washington, D.C., against delivery to A.I.D. of the assignment referred to in Section 3.02 and Applicant's receipt for payment. The "compensation due hereunder" shall be the entire amount of the Loss of Investment (less, respecting any amounts payable to the Investor, the Dollar amount of any and all portions of the Loss of Investment arising out of fraud or misrepresentation for which the Investor is responsible and less, respecting any amounts payable to an Assignee, the Dollar amount of any or all portions of the Loss of Investment arising out of fraud or misrepresentation for which such Assignee is responsible or arising out of fraud or misrepresentation for which the Investor is responsible and of which such Assignee had knowledge at the time of the assignment). Notwithstanding the filing of an Application

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for Compensation or any payments made by A.I.D. to Applicant pursuant to this Section 3.01, the Investor or any Assignee may file further Applications for Compensation in respect of further amounts due to the Investor or any Assignee under this Contract of Guaranty.

SECTION 3.02. Assignment to A.I.D. of Applicant's Interest. Upon payment by A.I.D. under Section 3.01, Applicant shall assign to A.I.D. all Applicant's right, title and interest as of the Date of Application in and to the Loan Agreement and the Eligible Notes outstanding as of the Date of Application, such assignment to be in the form of Exhibit B hereto; provided, however, that any assignment to A.I.D. pursuant to this Contract of Guaranty shall not purport to constitute, and shall not constitute, an assignment of any right of Applicant to receive any payments pursuant to the Loan Agreement with respect to which no payment has been received by Applicant from A.I.D., nor shall any such assignment release A.I.D. from its obligations hereunder to make any further payments to Applicant, all of which obligations under this Contract of Guaranty A.I.D. agrees with Applicant shall continue in force and effect to the same extent as if no such assignment had been made. Upon payment by A.I.D. to Applicant of any such further payments, Applicant shall assign to A.I.D. all Applicant's right, title and interest to any payments due Applicant under the Loan Agreement on account of which such further payments are made by A.I.D. to Applicant. Applicant shall pay to A.I.D. all payments received subsequent to the Date of Application by Applicant upon the Eligible Notes in respect of which an Application for Compensation is filed. If the payment by A.I.D. pursuant to Section 3.01 shall for any reason be less than the Loss of Investment, Applicant shall assign to A.I.D. only the appropriate proportion of such entire right, title and interest and shall retain the balance. A.I.D. shall take all action and execute all such documents as may be reasonably requested by Applicant to evidence the continued effectiveness of all rights under the Loan Agreement and the Eligible Notes to which Applicant may continue to be entitled in accordance with this Section 3.02.

SECTION 3.03. Withdrawn Application for Compensation. Nothing in this Contract of Guaranty shall prevent Applicant from withdrawing any Application for Compensation at any time prior to the delivery to A.I.D. of the assignment under Section 3.02, and in such event Applicant shall be free to file a subsequent Application for Compensation subject to the other provisions of this Article III.

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ARTICLE IV

PARTIAL PAYMENTS

SECTION 4.01. Right of A.I.D. to Make Partial Payments.

A.I.D. may pay or cause to be paid to the Investor or any Assignee in Dollars at the address listed in the Note Register maintained by the Paying Agent all installments of principal and interest and the amount of any Further Guaranteed Payment due but unpaid. If A.I.D. pays or causes to be paid to the Investor or any Assignee all such amounts then due but unpaid, the Investor or such Assignee shall not declare any Eligible Note due and payable or file an Application for Compensation. In the event the Investor or any Assignee shall have filed an Application for Compensation and A.I.D. notifies the Investor or such Assignee no later than ten (10) calendar days prior to the Guaranty Payment Date with respect to such Application for Compensation, of A.I.D.'s intention to make payment of all amounts correctly stated in the Application for Compensation as due and unpaid (exclusive of amounts due on account of acceleration of the Notes pursuant to Section 6.02 of the Loan Agreement) and such payment is made within five (5) Business Days (as defined in Section 4.01 of the Loan Agreement) after the date of such notice, the Investor or such Assignee shall rescind any declaration that any Eligible Note is due and payable and any such Application for Compensation shall be deemed withdrawn pursuant to Section 3.03.

SECTION 4.02. Right of the Investor or Assignee to Require A.I.D. to Make Partial Payments. If on or after any date that payment of any amount of principal of or interest on the Eligible Notes, or Further Guaranteed Payments become due, the Borrower shall have made payment to the Investor or any Assignee such that 10% or less of the total amount due on such date remains due and unpaid, then, within twenty (20) calendar days after receipt by A.I.D. of a notice by the Investor or such Assignee of such deficiency and a request of the Investor or such Assignee for payment thereof, A.I.D. shall pay or cause to be paid to the Investor or such Assignee all amounts correctly stated in such notice as being due but unpaid; provided, that A.I.D. may at its option refrain from making any further such payments after such payments have been made for twelve (12) consecutive months. The Investor or such Assignee shall not file an Application for Compensation by reason of the default noted in such notice during the period during which such payments are made. In the event that A.I.D. determines not to cure any such default, the

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Investor or such Assignee may accelerate the Notes held by it in accordance with the provisions of Sections 6.01 and 6.02 of the Loan Agreement.

SECTION 4.03. Payment to A.I.D. of Excess Amounts Received by the Investor or any Assignee.

(A) If, after the payment to the Investor or any Assignee by or on behalf of A.I.D. pursuant to Section 4.01 or Section 4.02, the aggregate amount of all payments of principal (other than prepayments of principal) of and interest on the Eligible Notes owned by the Investor or such Assignee as the same shall appear on the Note Register maintained by the Paying Agent exceeds the aggregate amount of such principal (other than prepayments of principal) and interest then and theretofore payable to the Investor or such Assignee on the Eligible Notes held by it, such excess shall be paid promptly by the Investor or such Assignee to A.I.D. or to such other party as A.I.D. may designate.

(B) If, after the making of any payment to the Investor or any Assignee by or on behalf of A.I.D. pursuant to Section 4.01 or Section 4.02, the Borrower makes a payment to the Investor or such Assignee relating to a Further Guaranteed Payment in respect of which payment was made to the Investor or such Assignee hereunder, or if the Investor or such Assignee receives a refund of such Further Guaranteed Payment from any source, then the Investor or such Assignee shall promptly pay to A.I.D. (or such other party as A.I.D. may designate) from such amount an amount up to the payments made to the Investor or such Assignee by or on behalf of A.I.D. pursuant to Section 4.01 or Section 4.02 in respect of such Further Guaranteed Payment.

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ARTICLE V

ELIGIBLE NOTES

SECTION 5.01. Eligible Notes.

(A) Notes may be executed by the Borrower, with the guaranty legend endorsed thereon by A.I.D., and delivered together with written instructions from the Borrower directing authentication of such Notes, to the Paying Agent for authentication, and the Paying Agent has, pursuant to the terms of the Paying and Transfer Agency Agreement, agreed to authenticate and deliver the Notes to or upon the written order of the Borrower, provided that it shall have received the written consent of A.I.D. to such authentication. The written consent of A.I.D. to such authentication shall be deemed to be conclusive evidence that A.I.D. has approved the issuance of its Guaranty with respect to the Notes.

(B) The Notes shall be signed on behalf of the Borrower, manually or in facsimile, by a duly authorized representative of the Borrower designated in a certificate delivered pursuant to Section 11 of the Paying and Transfer Agency Agreement. The A.I.D. guaranty legend endorsed on the Notes shall be signed on behalf of A.I.D., manually or in facsimile, by a person designated in a certificate delivered to the Investor pursuant to Section 3.01(B) of the Loan Agreement and delivered to the Paying Agent pursuant to Section 11 of the Paying and Transfer Agency Agreement and Section 3.01(B) of the Loan Agreement. Only such Notes as shall bear thereon a certificate of authentication manually executed by the Paying Agent shall be entitled to the benefits of this Contract of Guaranty or be valid or obligatory for any purpose. Such certificate of authentication of the Paying Agent shall, when manually executed by the Paying Agent, be conclusive evidence that the Note so authenticated has been duly authenticated and delivered and the holder thereof is entitled to the benefits of this Contract of Guaranty, provided that the holder thereof is an "eligible investor" as defined in Section 238(c) of the Act at the time it is registered as the holder thereof on the Note Register maintained by the Paying Agent in accordance with the terms of the Paying and Transfer Agency Agreement.

(C) The Notes shall be freely transferable and exchangeable for Notes of other authorized denominations of like aggregate principal amount at the office of the Paying Agent in accordance with the terms of the Paying and Transfer Agency Agreement; provided, however, that no transfer of a Note shall result in the Notes being registered in the names of more than five (5) Note-

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holders. The Notes may be replaced in connection with the mutilation, destruction, loss or theft of outstanding Notes, at the office of the Paying Agent in accordance with the terms of the Paying and Transfer Agency Agreement.

(D) The Notes, the guaranty legend of A.I.D. endorsed thereon, and the Paying Agent's certificate of authentication for the Notes shall be in substantially the forms set forth in Attachment 1 to the Loan Agreement.

SECTION 5.02. Conditions to Obligation of A.I.D. to Deliver its Written Consent to the Authentication of the Note or Notes Issued to the Investor, or such Party or Parties as the Investor Shall Have Previously Designated in Writing, on the Closing Date Evidencing the Disbursement Under the Loan Agreement. The obligation of A.I.D. to deliver its written consent to the authentication of the Note or Notes issued to the Investor, or such party or parties as the Investor shall have previously designated in writing, on the Closing Date evidencing the disbursement under the Loan Agreement is subject to the following conditions:

(A) A.I.D. shall have received an opinion addressed to A.I.D. from counsel to the Investor (who may be in the employ of the Investor), in form and substance satisfactory to A.I.D., to the effect that this Contract of Guaranty and the Loan Agreement have been duly authorized, executed and delivered by the Investor and constitute legal, valid and binding obligations of the Investor enforceable against the Investor in accordance with their terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws affecting the enforcement of creditors' rights generally from time to time in effect.

(B) A.I.D. shall have received an opinion addressed to A.I.D. from counsel to the Paying Agent satisfactory to A.I.D. (who may be in the employ of the Paying Agent), such opinion to be in form and substance satisfactory to A.I.D., to the effect that the Paying and Transfer Agency Agreement has been duly authorized, executed and delivered by the Paying Agent and constitutes a legal, valid and binding obligation of the Paying Agent enforceable against the Paying Agent in accordance with its terms, except as enforcement thereof may be limited by applicable bankruptcy, insolvency, moratorium, or similar laws affecting the enforcement of creditors' rights generally from time to time in effect.

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(C) A.I.D. shall have received the documents referred to in the Loan Agreement and in the Implementation Agreement.

(D) A.I.D. shall not have given to the Investor and the Borrower, or if given shall have withdrawn, the notice referred to in Section 7.02 hereof or in the section entitled "Rights of A.I.D." in the Implementation Agreement.

(E) The aggregate principal amount of Eligible Notes to be issued and authenticated shall not exceed Million Dollars (\$,000,000) on original issuance.

(F) All instruments and agreements relating to the transactions contemplated hereby and by the Implementation Agreement and all legal or administrative actions taken or to be taken on or prior to the date of the Notes in connection with the transactions contemplated hereby shall be satisfactory to A.I.D., and A.I.D. shall have received copies of all such documents or other evidence as A.I.D. may reasonably request in order to verify the foregoing.

SECTION 5.03. Waiver and Approval of A.I.D. Deemed Granted. With respect to the issuance of a Note or Notes to the Investor, or such party or parties as the Investor shall have previously designated in writing, on the Closing Date to evidence the disbursement of the Loan, if A.I.D. delivers its written consent to the authentication of such Note or Notes referred to in Section 2(a) of the Paying and Transfer Agency Agreement, any condition set forth in Section 5.02 which has not been met shall be deemed to have been waived by A.I.D. with respect to such Note or Notes and any Note issued in exchange therefor pursuant to Section 5.01(C) of the Loan Agreement, whether upon transfer or otherwise, and the consent of A.I.D. to the Investor's waiver of the corresponding condition contained in the Loan Agreement shall be deemed to have been granted by A.I.D. to the Investor pursuant to this Section; provided, however, that nothing in this Section 5.03 shall be deemed to be a waiver or modification by A.I.D. of the statutory limitation that guaranties are only authorized to be issued to "eligible investors" within the meaning of the Act. Whenever this Article V or Article III of the Loan Agreement requires that counsel be satisfactory to A.I.D., or that a document or

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opinion must be in form and substance satisfactory to A.I.D., the acceptability to A.I.D. of such counsel, document or opinion shall be established by the delivery by A.I.D. of its written consent to the authentication of the Notes referred to in Section 2(a) of the Paying and Transfer Agency Agreement.

SECTION 5.04. Replacements and Reissues of Notes.

(A) In the event that any Eligible Note shall become mutilated or be destroyed, lost, or stolen, and in the case of any such destruction, loss or theft upon receipt by A.I.D., the Borrower and the Paying Agent of the written agreement of the holder of such Eligible Note to indemnify A.I.D., the Borrower and the Paying Agent with respect thereto, such agreement to be in form and substance satisfactory to A.I.D., the Borrower and the Paying Agent, the holder of such Eligible Note may obtain a new Note pursuant to the terms and subject to the conditions of Section 4 of the Paying and Transfer Agency Agreement, and such new Note, when issued and authenticated pursuant to said Section 4, shall be an Eligible Note entitled to the benefits of this Contract of Guaranty. If any Eligible Note has been stolen, lost or destroyed at any time and the Investor or any Assignee desires to file with A.I.D. an Application for Compensation hereunder, the Investor or such Assignee may, in lieu of delivering such Eligible Note to A.I.D. at the time of assignment of the Investor's or such Assignee's interest to A.I.D. pursuant to Section 3.02, deliver an indemnity to A.I.D. of the nature provided for in the preceding sentence. If the Investor or any Assignee is the owner of any lost, stolen or destroyed Eligible Note, then the affidavit of the President, a Vice-President or Treasurer of the Investor or such Assignee describing the conditions under which such theft, loss or destruction took place, shall be accepted by A.I.D. as satisfactory evidence thereof.

(B) In the event that the Investor or any Assignee of an Eligible Note or Notes shall desire to obtain a Note or Notes of a different authorized denomination, the Investor or such Assignee may obtain a new Note or Notes in such authorized denomination or denominations as desired pursuant to the terms of Section 3 of the Paying and Transfer Agency Agreement, and such new Note or Notes, when issued and authenticated pursuant to said Section 3, shall be Eligible Notes entitled to the benefits of this Contract of Guaranty.

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ARTICLE VI

COVENANTS

SECTION 6.01. Prosecution of Claims.

(A) After an assignment to A.I.D. by the Investor or any Assignee pursuant to Section 3.02, A.I.D. shall have exclusive power to prosecute all claims related to the outstanding Eligible Notes so assigned. If the Investor or such Assignee continues to have an interest in the outstanding Eligible Notes, the Investor or such Assignee and A.I.D. shall consult with each other with respect to their respective interests in such Eligible Notes.

(B) If the payment by A.I.D. pursuant to Section 3.01 shall be less than the Loss of Investment, because a portion of the Loss of Investment arose out of fraud or misrepresentation for which the Investor is responsible, and the Investor shall assign to A.I.D. pursuant to Section 3.02 only the appropriate portion of the Investor's right, title and interest in and to the Loan Agreement and the Eligible Notes, A.I.D. may nevertheless elect to prosecute claims with respect to the entire Loss of Investment or, in the alternative to prosecute such claims only in respect of the portion of the outstanding Eligible Notes so assigned to A.I.D., in which latter event the Investor shall be free to prosecute on behalf of itself all claims in respect of the interest in the outstanding Eligible Notes retained by the Investor.

SECTION 6.02. Change in Agreements. Neither the Investor nor any Assignee will consent to any change or waiver of any provision of the Loan Agreement without the prior written consent of A.I.D.

SECTION 6.03. Effect of Nonperformance by the Investor. The Investor's failure or neglect to perform any one or more of the covenants of this Contract of Guaranty shall not operate to adversely affect or impair the Guaranty, but may be the subject of damages suffered by A.I.D. as a result of such failure or neglect or may be subject to the right of A.I.D. to obtain specific performance of such covenants, if obtainable.

SECTION 6.04. A.I.D. Approval of Acceleration of Notes. Without the prior approval of A.I.D., the Investor or any Assignee shall not accelerate any Eligible Notes held by it pursuant to Section 6.02 of the Loan Agreement on account of the happening of an Event of Default of the character described in Sections 6.01(B) or (C) of the Loan Agreement.

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ARTICLE VII
RIGHTS OF A.I.D.

SECTION 7.01. Refund of Payment.

(A) If A.I.D. shall have made any payment to the Investor pursuant to this Contract of Guaranty, and if all or a part of such payment arose out of fraud or misrepresentation for which the Investor was responsible, or if A.I.D. shall have made any payment to an Assignee pursuant to this Contract of Guaranty, and if all or a part of such payment arose out of fraud or misrepresentation for which the Investor was responsible and of which such Assignee had no knowledge at the time of the assignment, upon the request of A.I.D. within six (6) years after the date payment was made to the Investor or to such Assignee, as the case may be, the Investor shall refund to A.I.D. (or, in the case payment shall have been made to an Assignee, the Investor shall reimburse A.I.D.) all or the proportionate part, as the case may be, of the payment with interest thereon to the date of refund or reimbursement. The request of A.I.D. shall set forth the facts upon which the claim for refund is based.

(B) Upon any refund or reimbursement by the Investor of the total payment received, A.I.D. shall reassign to the Investor all of the right, title and interest in and to any Notes and other property or rights assigned to A.I.D. by the Investor or Assignee pursuant to Section 3.02 and shall pay to the Investor all of the amounts, except the A.I.D. Guaranty Fee, received by A.I.D. in respect of such Notes and other property or rights. Upon any refund or reimbursement by the Investor of a proportionate part of such payment received, A.I.D. shall either reassign to the Investor a proportionate interest in and to any Notes and other property or rights assigned by the Investor or an Assignee pursuant to Section 3.02 or, upon recovery by A.I.D. of any amounts (including the A.I.D. Guaranty Fee) received by A.I.D. with respect to such Notes and other property or rights, pay to the Investor a proportionate part of such amounts equal to the Investor's proportionate interest in and to such Notes and other property or rights.

SECTION 7.02. Suspension by A.I.D. A.I.D. may at any time notify the Investor of its determination that there has been a material breach of the Loan Agreement or the Implementation Agreement or that further guaranties hereunder are

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contrary to United States law and after such notice, A.I.D. shall not be obligated to cause the guaranty legend on any further Notes to be signed hereunder (except pursuant to Sections 2.05 and 5.04 and as contemplated by Section 5.01(C)), provided that if the conditions giving rise to such notice are corrected to the reasonable satisfaction of A.I.D. within ninety (90) calendar days of such notice (or within such later time as A.I.D. may permit), then A.I.D. shall withdraw its notice hereunder by a further notice to such Investor and the Borrower, and the guaranty legend on any Notes issued under the Loan Agreement subsequent to such notice shall be caused by A.I.D. to be signed pursuant to Section 5.01. Any such determination shall not affect or impair the Guaranty with respect to any Eligible Notes then outstanding or thereafter issued.

SECTION 7.03. Termination of A.I.D. Obligation. As and when A.I.D. shall have compensated the Investor and all Assignees fully for any and all Loss of Investment under this Contract of Guaranty, A.I.D. shall not thereafter remain under any further obligation with respect thereto.

SECTION 7.04. Right of A.I.D. to Require Prepayment of the Notes. In accordance with Section 4.02(B) of the Loan Agreement, A.I.D. may require the Borrower to prepay the Notes, in whole or in part, on at least forty-five (45) but not more than sixty (60) calendar days' prior written notice to the Paying Agent in the event the Borrower breaches any of its undertakings or covenants under the Implementation Agreement and the Borrower fails to cure such breach within a period of ninety (90) calendar days from the delivery of notice by A.I.D. to the Borrower of such breach.

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ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Arbitration. Any controversy or claim between A.I.D. and the Investor or any Assignee arising out of this Contract of Guaranty shall be settled by arbitration to be held in Washington, D.C. in accordance with the then prevailing Rules of the American Arbitration Association, and judgment on the award rendered by the arbitrators may be entered in any court of competent jurisdiction.

SECTION 8.02. Integration. This Contract of Guaranty (including the exhibits hereto), together with the Loan Agreement, the Paying and Transfer Agency Agreement, Implementation Agreement, the Agreement, and the Escrow Agreement, if any, embodies the entire agreement and understanding between the parties hereto relating to the subject matter hereof and supersedes all prior agreements and understandings between such parties which relate to such subject matter. A.I.D. acknowledges that the Investor has not made to A.I.D., nor has A.I.D. relied upon, any representations other than the representations set forth in Section 2.03, in connection with this Contract of Guaranty, the Loan Agreement, the Paying and Transfer Agency Agreement, the Implementation Agreement, the Agreement, the Escrow Agreement, if any, or any other related document or matter.

SECTION 8.03. Amendments. This Contract of Guaranty may be changed only by a written instrument executed by both parties hereto, or if the Investor shall have assigned any Note delivered to it on the Closing Date, or if a Note or Notes shall have been issued on the Closing Date to such party or parties as the Investor shall have designated in writing, the written consent of the holders of not less than 66-2/3% in principal amount of all the Notes at the time outstanding; provided, however, that (i) if any such amendment would change the terms of payment of the principal of, or interest on, or any additional amounts payable on any Note or the terms and conditions of prepayment thereof or modify in any manner adverse to the holders of the Notes the terms and conditions of this Contract of Guaranty or affect the rights of holders of less than all the Notes at the time outstanding, the consent of the holders of all outstanding Notes shall be required, and (ii) if any such amendment would

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reduce the aforesaid percentage required for authorization of such amendment, the consent of the holders of all outstanding Notes shall be required. Any such consent shall be effective only in the specific instance and for the purposes for which it is given.

SECTION 8.04. Notice. Any communication, advice, request, consent, document, notice or direction given, made, sent or withdrawn pursuant to this Contract of Guaranty shall be in writing in the English language, shall refer to " : A.I.D. Housing Project -HG- ", and shall be deemed to have been duly given to and received by A.I.D., the Investor, the Paying Agent, or an Assignee on the day it shall be actually received by A.I.D., the Investor, the Paying Agent, or an Assignee, as the case may be, at the address specified below:

To the Investor:

Mail Address:

Attn:

To A.I.D.:

Mail Address:

Office of Housing and Urban Programs
Agency for International Development
Department of State
Washington, D.C. 20523

Attn: : A.I.D. Housing Guaranty
Project -HG-

Telex Nos.: ITT 89-27-03
RCA 24-83-79

Cable Address: AID WASH DC

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To the Paying Agent:

Mail Address:

The Riggs National Bank
of Washington, D.C.
Paying Agent for A.I.D.
Corporate Trust Division
1120 Vermont Avenue, N.W.
Fourth Floor
Washington, D.C. 20005

Attn: : A.I.D. Housing Guaranty
Project -HG-

Telex Nos.: ITT 440103 (Answer back is RIGGSBK)
RCA 248363 (Answer back is RIGG UR)
Western Union 64110 (Answer back is
RIGGSWSH)

Cable Address: RIGGSBANK WASH

To Each Assignee:

At such address as shall appear for such purpose
upon the registry books maintained pursuant to
Section 2.09.

Other addresses may be substituted for the above
upon the giving of notice of such substitution in the
manner provided in this Section 8.04.

Section 8.05. Governing Law. This Agreement shall
be governed by and construed in accordance with the laws
of the United States of America governing contracts and
commercial transactions of the United States Government.

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IN WITNESS WHEREOF, the United States of America and the Investor, each acting through its duly authorized representative, have caused this Contract of Guaranty to be signed in their names and delivered as of the date first above written.

UNITED STATES OF AMERICA

By _____

Name: _____

Title: _____

By _____

Name: _____

Title: _____

EXHIBIT A

APPLICATION FOR COMPENSATION

Office of Housing and Urban Programs
 Agency for International Development
 Department of State
 Washington, D.C. 20523

Ref: Contract of Guaranty, dated as of
 , 1983 : A.I.D.
Housing Project -HG-

Gentlemen:

You are hereby advised that payment of \$ _____
 (consisting of \$ _____ of principal, \$ _____
 of interest and \$ _____ in Further Guaranteed Payments
 as defined in Section 1.01(H) of the above-mentioned Contract
 of Guaranty*) was due on _____, 19__, on \$ _____
 principal amount of Notes held by the undersigned of the
 (the "Borrower"), issued pursuant to
 the Loan Agreement, dated as of _____, between the
 Borrower and _____. Of such amount \$ _____
 was not received on such date and has not been received by
 the undersigned at the date hereof. In accordance with the
 terms and provisions of the above-mentioned Contract of
 Guaranty, the undersigned hereby applies, under Section 3.01
 of said Contract of Guaranty, for payment of a total of
 \$ _____, representing \$ _____, the outstand-
 ing principal amount of the presently outstanding Notes of
 the Borrower held by the undersigned issued pursuant to said
 Loan Agreement, and \$ _____ in Further Guaranteed
 Payments,** plus accrued and unpaid interest thereon to and
 including the date payment in full is made by you pursuant
 to said Contract of Guaranty. Such payment is to be made at
 your office in Washington, D.C.

[Name of Applicant]

By _____

Name: _____

Title: _____

Dated _____

* Strike inapplicable portion.

**In the event the Application for Compensation relates
 to Further Guaranteed Payments, such Application must also
 contain a statement of the nature and circumstances of the
 loss covered under Section 4.03 of the Loan Agreement.

ASSIGNMENT

EXHIBIT B

The undersigned, being the registered owner of a Note in the principal amount of \$ _____ issued by the _____ (the "Borrower"), pursuant to a loan agreement, dated as of _____, (the "Loan Agreement"), between the Borrower and _____ (the "Investor") and a contract of guaranty, dated as of _____, (the "Contract of Guaranty"), between the Investor and the United States of America, acting through the Agency for International Development ("A.I.D."), hereby assigns to A.I.D., without recourse (i) its entire right, title and interest in and to the Note of the Borrower referred to above (which Note is attached hereto), including its rights to unpaid interest on such Note, and (ii) its entire outstanding right, title and interest arising out of said Loan Agreement with respect to such Note, except the undersigned's right to receive payments under the Loan Agreement in respect of which A.I.D. has made no payment to the undersigned as of the date hereof.

[NAME OF APPLICANT]

By _____

Name: _____

Title: _____

Accepted:

Dated _____

UNITED STATES OF AMERICA

By _____

Name: _____

Title: _____

Dated _____

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Appendix 5D

Revised 4/11/83

A.I.D. NO. ____-HG-____

HOUSING PROGRAM AGREEMENT
BETWEEN
(INSERT NAME OF HOST COUNTRY PARTIES)
AND
THE UNITED STATES OF AMERICA
FOR
(INSERT NAME OF PROJECT)
HOUSING PROGRAM

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IMPLEMENTATION AGREEMENT

Housing Program Agreement ("Agreement"), dated as of [INSERT DATE], between [NAME OF COUNTRY] acting through [INSERT NAMES OF HOST COUNTRY PARTIES], specifically identifying the borrowing agency as "the Borrower" and the United States of America, acting through the Agency for International Development ("A.I.D."), consisting of this document together with Annexes A, [and] B, attached hereto.

ARTICLE I

THE AGREEMENT

Section 1.01. Background and Purpose.

- A. This Agreement describes a housing program to be carried out in [NAME OF COUNTRY], with the cooperation and assistance of A.I.D.; and sets forth the implementation arrangements agreed to by the [HOST COUNTRY PARTIES] and A.I.D. for accomplishing the purposes of the program. In carrying out this program, the parties to this Agreement [the "Parties"] seek to address, among other things, the following goals and objectives:

[INSERT STATEMENT OF MAJOR POLICY OBJECTIVES AND GOALS INVOLVED IN THE PROGRAM.]

- B. To implement this specific program, the following steps will be undertaken:
-

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- (i) The Borrower will borrow funds, as specified in Article III, from a private U.S. lender or lenders ("Investor") pursuant to a Loan Agreement approved by A.I.D.;
- (ii) A.I.D. will guaranty the Borrower's payment obligation to the Investor under a Contract of Guaranty between the Investor and A.I.D.;
- (iii) The [INSERT NAME OF COUNTRY] will agree to reimburse A.I.D., pursuant to a [INSERT NAME OF COUNTRY] Guaranty Agreement, for any losses that A.I.D. may incur by virtue of the A.I.D. guaranty to the Investor; and
- (iv) The Borrower and a U.S.-financed institution designated by A.I.D. will enter into a Paying and Transfer Agency Agreement, as further described in Article VI, providing for certain payment and other financial services relating to the Loan Agreement.

This Agreement shall be read in conjunction with, and subject to the provisions of, the documents described above when such documents are executed and/or approved.

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ARTICLE II

THE PROGRAM

Section 2.01. Program Description. The Program, which is further described in Annex A attached hereto, will consist of [INSERT DESCRIPTION OF THE PROGRAM]. Within the limits of the Program Description in this Section, Program details set forth in Annex A may be changed by written agreement of the parties pursuant to the procedures set forth in Section 7.01.

ARTICLE III

FINANCING

Section 3.01. Financing and Payment Provisions. Financing of the Program described in Article III will be provided as follows:

A. AID Resources

1. United States Government Guarantied Loan.

- (a) A.I.D. will provide, on behalf of the Government of the United States, a guaranty of payment of principal and interest for United States dollar loans of up to

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\$ _____ in principal amount made by private United States Investors to the Borrower to finance the Program. The Borrower shall select the investor and negotiate the guaranteed loans in accordance with criteria and procedures acceptable to A.I.D. The selection of the Investors and the terms and conditions of the Loan Agreements (including any amendments) are subject to A.I.D.'s approval.

(b) Prior to seeking an Investor, the Borrower shall submit, in form and substance satisfactory to A.I.D., a Master Program Implementation Plan in accordance with Section 5.02. Upon meeting this condition, the Borrower may seek an Investor and enter into the series of agreements referred to in Section 1.01 B.

2. Additional A.I.D. Resources. Pursuant to separate agreement(s) A.I.D. may make available additional resources in support of the Program, as follows:

[DESCRIBE RELATED A.I.D. PROJECT LOAN OR GRANT AGREEMENTS]

B. Borrower Resources

1. Borrower Resources. The resources provided by [HOST COUNTRY PARTIES] specifically for the Program will not be less than the

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equivalent of [INSERT THE AMOUNT] Dollars (\$ [INSERT NUMBER OF DOLLARS]), including costs borne on an "in-kind" basis.

2. Other Necessary Resources. The Borrower agrees to provide or cause to be provided for the Program, in addition to the Loan and the resources specified above, all other resources required to carry out the Program effectively and in a timely manner.

C. Additional Resources.

[IF APPLICABLE, INSERT OTHER SOURCES OF PROJECT FINANCING, E.G., OTHER DONORS, GRANTS AND LOANS, DOWNPAYMENTS BY BENEFICIARIES, PVO CONTRIBUTIONS, ETC.].

ARTICLE IV

LOAN DISBURSEMENTS

Sec. 4.01. Disbursements. A.I.D. shall authorize disbursement of guaranteed loan funds to cover advances and/or reimbursement for Eligible Expenditures, as defined in Section 4.02, incurred by the Borrower for the Program. Except as A.I.D. may otherwise agree, the Borrower [AND/OR OTHER RESPONSIBLE HOST COUNTRY PARTIES] shall have met the conditions precedent set forth below and in the applicable Loan Agreement prior to each disbursement.

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Sec. 4.02. Eligible Expenditures

- A. 1. Eligible Expenditures shall include reasonable costs incurred by the Borrower for the Program to the extent such costs are allocable to projects, facilities and other approved activities under the Program affordable to and for the benefit of Eligible Beneficiaries, as described in Section 5.03. Such expenditures may include:

[INSERT FURTHER DESCRIPTION of Eligible Expenditures, as appropriate, by projects facilities or other activities included in the Program and/or cost categories such as infrastructure, land, materials, loans, construction, administrative costs, mortgages, home loans, etc.].

2. With respect to the following Eligible Expenditures, reimbursement or liquidation of advances shall be authorized on the basis indicated below:

[DESCRIBE BASIS for release of funds for particular items (whether by direct disbursement, release from escrow or liquidation of advance). Depending on Program design, an illustrative basis for approving release of funds might include the following:

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- (a) Infrastructure: work in place in accordance with approved schedules pursuant to Program Implementation Plans
 - (b) Housing Units: Registered titles, mortgages (and/or) Certificates of Occupancy
 - (c) Home Improvement Loan: (___% of) Loans committed (or) Loans disb rsed.]
- B. Eligible Expenditures may also include fees and charges approved by A.I.D. in connection with this Agreement, the Loan Agreement and the Loan Servicing Agreement, together with such other reasonable costs of goods and services as may be mutually agreed upon.

Sec. 4.03. Advances and Retentions

- A. A.I.D. may approve requests for advance disbursement up to an amount not in excess of \$ _____ and may approve requests for subsequent replenishments of the amounts previously advanced. Such advances and subsequent replenishment shall be based upon agreed cash flow needs of the Program, as appear in the Master Program Implementation Plan, for periods not to exceed six (6) months.
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B. Advances shall be liquidated upon presentation of evidence of Eligible Expenditures in accordance with Section 4.02, and may be replenished as indicated above, until \$ _____ have been disbursed from the Loan. When a total amount of \$ _____ has been disbursed, whether as advances or reimbursement, there shall be no further disbursements until all advances have been liquidated and the Conditions Precedent for Final Disbursement have been met.

Sec. 4.04. Conditions Precedent to First Disbursement. Prior to A.I.D.'s authorization of the First Disbursement under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, deliver to A.I.D., in form and substance satisfactory to A.I.D.:

A. a legal opinion of the principal legal authority of the Government of _____ attesting to the validity and enforceability of the [INSERT NAME OF COUNTRY] Guaranty Agreement, and stating that such Agreement has been duly authorized, executed and delivered and constitutes a legal, valid and binding obligation of [INSERT NAME OF COUNTRY];

B. legal opinion of counsel satisfactory to A.I.D., attesting to the validity of the Loan Agreement, the Loan Servicing Agreement, and this Agreement and stating that such Agreements have been duly authorized, executed, and delivered by the [HOST COUNTRY PARTIES], and constitute legal, valid and binding obligations of the Host Country Parties;

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- C. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
- D. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of the funds requested;
- E. an updated Master Program Implementation Plan prepared in accordance with Section 5.01;
- F. [OTHER CONDITIONS TO BE INSERTED AS APPROPRIATE, E.G., LEGISLATIVE, FINANCIAL ORGANIZATIONAL AND SIMILAR PROGRAM REQUIREMENTS]; and
- G. such other documents and representations as A.I.D. may reasonably request.

Sec. 4.05. Conditions Precedent to Additional Disbursements. Prior to A.I.D.'s authorization of additional disbursements under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
-

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- B. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of the funds requested;
- C. an updated Master Program Implementation Plan prepared in accordance with Section 5.01;
- D. [ADDITIONAL CONDITIONS TO BE INSERTED AS APPROPRIATE], and
- E. such other documents and representations as A.I.D. may reasonably request.

Sec. 4.06. Conditions Precedent to Final Disbursement. Prior to A.I.D.'s guaranty of the Final Disbursement under the Loan, and except as A.I.D. may otherwise agree in writing, the Borrower shall deliver to A.I.D., in form and substance satisfactory to A.I.D.:

- A. all documents required by the terms of the Loan Agreement to satisfy conditions precedent contained therein;
 - B. a Request and Certificate for Disbursement in the form of Annex B, duly completed and signed, including any schedules indicating the application of funds requested;
-

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- C. a certification that the Program as defined in Article II and in Annex A has been completed in accordance with this Agreement, the Master Program Implementation Plan, and all other documents, plans, specifications, contracts, schedules or other arrangements approved by A.I.D. under this Agreement;
- D. [ADDITIONAL CONDITIONS TO BE INSERTED AS APPROPRIATE]
- E. such other documents and representations as A.I.D. may reasonably request.

Sec. 4.07. Exchange Rate. The rate of exchange used for the purpose of preparing a Request and Certificate for Disbursement (Annex B) shall be a mutually agreed-upon, lawful rate of exchange for foreign exchange lending transactions of the type contemplated hereunder in [INSERT NAME OF COUNTRY], on any date specified by the Borrower within thirty (30) calendar days prior to the disbursement.

ARTICLE V

SPECIAL COVENANTS

Section 5.01. Master Program Implementation Plan. Promptly after the execution of this Agreement the Borrower with the assistance of A.I.D., shall prepare a Master Program Implementation Plan, which shall indicate:

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(a) current cost estimates and cash flow schedules for the Program, with specific reference to Eligible Expenditure categories.

(b) Project Evaluation and Tracking System (PETS) charts to indicate the expected progress on the important project elements of the Program.

(c) A description of the established procedures of the Borrower for site selection, beneficiary selection, contractor selection and cost recovery.

(d) Conceptual designs, standard procedures and criteria for construction, and

[INSERT ADDITIONAL ITEMS AS APPROPRIATE]

(e) such other data as may be mutually agreed upon by the parties to this Agreement.

The Borrower agrees to implement the Program in accordance with the Master Program Implementation Plan, and to promptly inform A.I.D. should there be substantial change in procedures, criteria or other data which would affect the accuracy of the Plan during program implementation.

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Section 5.02. Standards, Affordability and Eligibility of Beneficiaries.

- (a) It is understood that United States legislation governing A.I.D. requires that the benefits of the Program, to the extent financed by the Loan, flow directly to households earning less than the median income in the applicable urban or rural area in [INSERT THE NAME OF COUNTRY]. Such households are referred to in this Agreement as "Eligible Beneficiaries." It is mutually agreed that as of [STATE THE DATE] the applicable median income is approximately [STATE THE INCOME].
- (b) The Borrower agrees (a) to manage the Program so that its benefits, to the extent financed by the Loan, flow to Eligible Beneficiaries, (b) to assure that Program costs will be kept at a level to insure that Program benefits are affordable to the Eligible Beneficiaries. For purposes of determining affordability to Eligible Beneficiaries, the monthly payments and charges for housing under the Program for Eligible Beneficiaries should not exceed [STATE THE NUMBER PERCENT] of the monthly income of such Beneficiaries.
- (c) The median income figure may be revised from time to time by mutual agreement of the parties to this Agreement through Project Implementation Letters pursuant to Annex C, Part I, paragraph A.
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Section 5. ____.

[LIST OTHER SPECIAL COVENANTS AS APPROPRIATE. SUBJECT MATTERS TO BE INCLUDED MIGHT COVER: STUDIES TO BE CONDUCTED, CO-ORDINATION WITH OTHER DONORS, COST RECOVERY PROCEDURES, APPROVAL OF DRAWINGS AND SPECIFICATIONS, LAND ACQUISITION, DISPLACEMENT AND RELOCATION, FORMAL SEMI-ANNUAL PROJECT REVIEWS, COMMUNITY FACILITIES, RECURRING COSTS, NATIONAL HOUSING POLICY REVIEW, ETC.]

ARTICLE VI

LOAN SERVICING AND FEES

Section 6.01. Paying and Transfer Agency Agreement. In order to assure efficient administration of payment and other financial requirements for the servicing of Housing Guaranty Programs, A.I.D. has established a standard arrangement for these services. In accordance with these arrangements, the Borrower shall enter into a standard Paying and Transfer Agency Agreement with the Riggs National Bank of Washington, D.C. ("Paying Agent") at the time of signing the Loan Agreement. The cost for the services of the Paying Agent shall be borne by the Borrower. The Paying Agent shall distribute the Borrower's payments on the Notes, transmit periodic A.I.D. fee payments, transfer Notes to new Noteholders, and otherwise provide the necessary servicing of such Notes.

Section 6.02. A.I.D. Guaranty Fees. The Borrower shall pay to A.I.D. the following fees:

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(a) Initial Fee. The Borrower shall pay to A.I.D. a fixed initial fee equal to one percent (1%) of each Loan as defined in the Loan Agreement(s) approved by A.I.D. for the Project. Such fee shall be paid to A.I.D. upon the first disbursement of the A.I.D. - Guaranteed Loan. This fee shall be non-refundable, notwithstanding the failure of the Borrower to subsequently receive additional disbursements or the full amount of the Loan. The fee is payable by electronic fund transfer to the Federal Reserve Bank of New York by specifying "credit to the U.S. Treasury, New York City, A.I.D. Agency Location Code 72000001, A.I.D. Housing Guaranty Project No. ___-HG-___, in payment of the A.I.D. Fee". The fee may be deducted from the amount disbursed upon instruction to the Investor in the "Request for Borrowing" as required by the Loan Agreement.

(b) Semi-annual Fee. In addition, the Borrower shall pay to A.I.D. a semi-annual fee calculated at the rate of one-half of one percent (1/2%) per annum of the aggregate unpaid principal amount of all A.I.D.-guaranteed Notes issued and outstanding under the Loan Agreement. This Fee shall accrue from the date each guaranteed Note is issued under the Loan Agreement, and shall be payable to A.I.D. on the same due dates as provided on the Notes until each Note is fully repaid.

Section 6.03. Place of Payment. The Borrower agrees to remit all principal and interest payments due the Investor and semi-annual fee due to A.I.D. to the Paying Agent, at the address specified herein, or as otherwise provided in the Loan Paying Agreement. It is understood that the Paying Agent

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shall apply such remittances in accordance with the Loan Agreement, the Loan Paying and Transfer Agreement and this Agreement. Other fees due the Investor, such as the Investor's commitment fee, shall be paid as directed by the Investor.

Section 6.04. Late Payment Charge. In the event of a late payment of amounts due A.I.D. either directly or by way of reimbursement, a Late Payment Charge will accrue on the unpaid installment. This Late Payment Charge on the unpaid installment will accrue to A.I.D. on a semi-annual basis at the interest rate of the Loan and will be calculated from the date it was due to the date it was received by A.I.D. The Late Payment Charge will be computed as if each year consisted of three hundred and sixty-five (365) days.

Section 6.05. Reimbursement and Subrogation. The Borrower agrees that if A.I.D. makes any payment on the Borrower's behalf to the Investor pursuant to the Contract of Guaranty, whether or not the Investor has applied to A.I.D. for such payment and whether or not an Event of Default has occurred under the terms of the Loan Agreement, the Borrower will reimburse A.I.D. for such payment. In such event, by operation of this Agreement and any existing applicable common law rights as may exist, A.I.D. shall become subrogated to all the rights of the Investor against the Borrower.

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ARTICLE VII

GENERAL PROVISIONS

Section 7.01. Program Implementation Letters. To assist in the implementation of this Program, A.I.D., from time to time will issue Program Implementation Letters which will furnish additional information about matters stated in this Agreement. The Parties may also use jointly agreed-upon Program Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Program Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Program in Annex A, or waivers of rights by Parties for whose benefit such rights exist.

Section 7.02. Project Evaluation. The Parties agree to establish an evaluation program as part of the Program. Except as the Parties otherwise agree in writing, the Program will include, during the implementation of the Program and at one or more points thereafter: (a) an evaluation of progress toward attainment of the objectives of the Program; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems, and (d) evaluation to the degree feasible, of the overall development impact of the Program.

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Section 7.03. Consultation. The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of any party, will exchange views on the progress of the Program, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Program, and other matters relating to the Program.

Section 7.04. Execution of the Program. The Borrower, and other Parties implementing this Agreement, will:

- (a) carry out the Program or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement;
- (b) provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Program and as applicable for continuing activities, cause the Program to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Program; and

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- (c) use the proceeds of the Loan, or any and all currencies exchanged for the United States Dollars received under the Loan, for the sole purpose of financing the Program in accordance with and subject to the provision of this Agreement.

Section 7.05. Reports, Books and Records, Audit and Inspection. The host country Parties will:

- (a) furnish A.I.D. such information and reports relating to the Program, the Loan and this Agreement as A.I.D. may reasonably request;
- (b) maintain, or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Program, the Loan, and this Agreement, adequate to show, without limitation, the receipt and use of funds, the relending of such funds, and the receipt and use of goods and services acquired under the Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three (3) years after the date of Program completion, and books and records regarding the Loan shall be maintained for three (3) years after the Loan has been fully repaid by the Borrower; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services
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acquired, the basis of award of contracts and orders, and the overall progress of the Program toward completion.

- (c) Afford authorized representatives of any Party the opportunity at all reasonable times to inspect the Program, the utilization of goods and services financed by the Loan or by the Parties, and sites, books, records and other documents relating to the Program, to the Loan, and to this Agreement.
- (d) Until the Loan is fully repaid, arrange to have such books and records audited annually by independent auditors in accordance with generally accepted auditing standards. Such audit shall provide segregated accounting and comments regarding the Loan and shall be submitted annually to A.I.D.

Section 7.06. Completeness of Information. The Borrower and other Parties to this Agreement confirm:

- (a) that the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching this Agreement are accurate and complete, and include all facts and circumstances that might materially affect the Program, the Loan, and the discharge of the Borrower's and other Parties' responsibilities under this Agreement, and
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(b) that they shall inform A.I.D. in timely fashion of any subsequent change of fact or circumstance that might materially affect, or that it is reasonable to believe might so affect, the Program, the Loan, or the discharge of responsibilities under this Agreement.

Section 7.07. Publicity. As may be described in Implementation Letters, the Borrower and other Parties to this Agreement will give appropriate publicity to the Loan and to the Program as a activity to which the United States has contributed, and shall indicate at appropriate project sites that A.I.D. has facilitated financing for the Program.

Section 7.08. Other Payments. The Borrower and other Parties to this Agreement affirm that no payments have been or will be received by any official of the host country, Borrower or other such Parties in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the territory of the host country.

Section 7.09. Reasonable Prices for Procurement. No higher than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Loan. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

Section 7.10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the District of Columbia of the United States of America.

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ARTICLE VIII

RIGHTS AND REMEDIES OF A.I.D.

Section 8.01. Suspension and Acceleration.

- (a) (i) If the Borrower materially breaches this Agreement, the Loan Paying Agreement, or any escrow agreement, or if the borrowing country breaches its Guaranty Agreement, (whether or not such breach is a breach under the Loan Agreement) and such breach is not rectified within a period of ninety (90) calendar days from the delivery of notice by A.I.D. with respect thereto, or (ii) if the Borrower materially breaches the Loan Agreement and such breach is not rectified before it becomes an Event of Default under the Loan Agreement, then A.I.D. may take any or all of the following actions:
- (1) decline to execute an A.I.D. Guaranty Legend on any additional Notes for disbursements under the Loan Agreement or the Contract of Guaranty, except when such Notes are issued pursuant to the provisions for assignment or replacement of Notes under the Contract of Guaranty, and or
 - (2) require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal of the Notes with accrued
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interest and any Guaranty Fee due to the date such payment is made, as well as any Late Payment Charge which may have accrued.

- (b) In the event that the guaranty of further Notes is contrary to U.S. legislation governing A.I.D., then A.I.D. may exercise the remedy specified in paragraph (1)(a) above.
 - (c) In the event the Borrower fails to pay when due any interest or installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies, then A.I.D., after notice to the Borrower, may exercise the remedy specified in paragraph (1)(a) above.
 - (d) In the event that the conditions precedent set forth in this Agreement have not been met as of the dates specified in the Loan Agreement for related disbursements (or such later date as A.I.D. may agree to in writing), A.I.D., at its option may terminate, in whole or in part, its own obligations under this Agreement by written notice to the Borrower. Such termination may include, inter alia, the termination of any obligation of A.I.D. to guaranty notes issued by the Borrower to the Investor, except when such Notes are issued pursuant to provisions in the Contract of Guaranty for assignment and replacement of Notes. In connection with such
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termination, A.I.D. may also require the Borrower to prepay immediately to the Investor all or any part of the unpaid principal on Notes outstanding, together with accrued interest, accrued fees payable to the date of such payment and accrued Late Payment Charges.

Section 8.02. Non-Waiver of Remedies. The marking of any Note by A.I.D., the payment by A.I.D. to the Investor of any amounts pursuant to the Contract of Guaranty, the delay or failure of A.I.D. to make any claim for payment, or the delay or failure of A.I.D. to give its written approval to an acceleration of such Notes by the Investor shall not operate as a waiver by A.I.D. of any rights accruing to A.I.D. under this Agreement, the Loan Agreement, the Contract of Guaranty, or the borrowing country's Guaranty Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Communications. Any notice, request, document, or other communication submitted by any Party to any other under this Agreement shall be in writing or by telegram or cable, shall refer to [NAME OF COUNTRY] A.I.D. Housing Program No. _____ HG _____, and shall be deemed duly given or sent when delivered to such Party at the following addresses:

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To Borrower
Mail Address:

Cable Address:

Telex Nos.:

Attention:

With copies (but failure to receive such copies shall in no way
affect the validity of such notice) to:

To A.I.D.:
Mail Address:
(RHUDO ADDRESS)

Cable Address:

Telex Nos.:

Attention:

With copies (but failure to receive such copies shall in no way
affect the validity of such notice) to:

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Mail Address:
USAID Mission

Cable Address:

Telex Nos.:

To Paying Agent:

Mail Address:

The Riggs National Bank of Washington, D. C.
Trust Department Office
800 17th Street, N.W.
Washington, D. C. 20006
Attention: (INSERT NAME OF COUNTRY)
A.I.D. Housing Guaranty Project ___-HG-___

Cable Address:
RIGGSBANK WASH

Telex Nos.

ITT: 44-01-03: Answer Back - RIGGS BK
RCA: 28-83-63: Answer Back - RIGG UR
Western Union: 64-11-0: Answer Back RIGGS WASH

All communications shall be in English, unless the parties otherwise agree in writing. Other addresses may be changed upon written notice to the other Parties to this Agreement.

IN WITNESS WHEREOF, this Agreement is signed and executed by the authorized representatives of the Borrower and A.I.D.

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(INSERT NAME OF BORROWER) UNITED STATES OF AMERICA

BY: _____ BY: _____

NAME: _____ NAME: _____

TITLE: _____ TITLE: _____

DATE: _____ DATE: _____

(INSERT OTHER HOST COUNTRY PARTIES)

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ANNEX A

PROJECT DESCRIPTION

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ANNEX B

[INSERT NAME OF COUNTRY]

[INSERT HG PROJECT NUMBER]

REQUEST AND CERTIFICATE FOR DISBURSEMENT

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[INSERT NAME OF BORROWER] ("Borrower") hereby requests, pursuant to the Housing Program Agreement dated as of _____, that the United States Agency for International Development (A.I.D.) authorize the disbursement of \$ _____ from the A.I.D. Guaranteed Loan No. _____-HG-_____ :

In connection with this request, the Borrower hereby certifies as follows:

1. The Borrower is in full compliance with all the terms and conditions of the Loan Agreement dated [INSERT DATE].
2. The [NAME OF COUNTRY] signatories to the Housing Program Agreement referred to above are in full compliance with the terms and conditions of such Agreement.
3. The Schedules attached hereto for purposes of justifying the requested disbursement are completely accurate and fully reflect the facts existing as of the date of this Request and Certificate for Disbursement.
4. The rate of exchange used in preparation of this Request and Certificate for Disbursement is _____ as of [INSERT DATE].

[INSERT THE NAME OF THE BORROWER]

BY: _____

TITLE: _____

DATE: _____

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Appendix 5E

GUARANTY AGREEMENT

[NAME OF COUNTRY]

[PROJECT NO. ___-HG-___]

This AGREEMENT dated as of [INSERT DATE], 198__, between [NAME OF COUNTRY] and the UNITED STATES OF AMERICA, acting through the Agency for International development ("A.I.D.).

WHEREAS, [NAME OF COUNTRY] (the "Borrower") is participating in the United States Housing Guaranty Program; and,

WHEREAS, in accordance with a Loan Agreement (the "Loan Agreement") between Borrower and [NAME OF INVESTOR] (the "Investor"), Borrower may borrow up to [INSERT AMOUNT] United States Dollars [INSERT DOLLAR AMOUNT] (the "Loan") evidenced by Borrower's promissory notes (the "Notes") paying interest as set forth in said Notes; and,

WHEREAS, in accordance with the terms and conditions of the Implementation Agreement, dated as of [INSERT DATE], 198__ (the "Implementation Agreement") between Borrower and A.I.D., Borrower will use the proceeds of the Loan for the financing of shelter solutions for low income families in [INSERT NAME OF COUNTRY]; and,

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WHEREAS, in consideration of the Guaranty of [NAME OF COUNTRY] provided herein and the Guaranty Fee provided for in the Implementation Agreement, A.I.D. has agreed to guaranty Investor's loan to be made pursuant to the Loan Agreement in accordance with the terms and conditions of a Contract of Guaranty between A.I.D. and Investor (the "Contract of Guaranty"); and,

WHEREAS, Borrower has entered into an agreement dated the date hereof, (the "Paying and Transfer Agency Agreement"), with The Riggs National Bank of Washington, D. C. (the "Paying Agent");

NOW, THEREFORE, [NAME OF COUNTRY] and A.I.D. hereby agree as follows:

ARTICLE I

The Guaranty

1. [NAME OF COUNTRY] irrevocably and unconditionally pledges to guaranty to A.I.D. payment in U.S. Dollars of:
 - (a) All amounts of principal, interest and other payments due under the Notes or Loan Agreement which A.I.D. has paid to Investor pursuant to the Contract of Guaranty.
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- (b) The A.I.D. Disbursement Fee, Guaranty Fee and all other amounts due from Borrower under the Implementation Agreement.
2. The guaranty hereby created shall not be affected or impaired for any reason whatsoever, including, without limitation:
- (a) Any amendment, modification or waiver of the Loan Agreement, the Notes, the Contract of Guaranty, the Paying and Transfer Agency Agreement, the Implementation Agreement, or this Agreement, or
- (b) Any defect in the authorization, execution, delivery or enforceability of the Loan agreement, the Notes, the Contract of Guaranty, the Paying and Transfer Agency Agreement, the Implementation Agreement, or this Agreement; or
- (c) Any law, regulation or decree now or hereafter in effect in any jurisdiction which might in any manner affect the time or payment of the Notes or any terms or provisions of the Loan Agreement, the Notes, the Contract of Guaranty, the Paying and Transfer Agency Agreement, the Implementation Agreement, or this Agreement, or any of the rights of A.I.D. under the foregoing, or
- (d) Any conflict arising over A.I.D.'s own interpretation of A.I.D.'s obligations under the Contract of Guaranty.
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3. The term of this Agreement shall be from the date hereof until payment in full of all sums payable by [NAME OF COUNTRY] pursuant to Article I, Paragraph 1.
4. This Agreement shall be construed in accordance with the laws of the United States of America applicable to contracts and commercial transactions of the United States Government.

ARTICLE II

Procedures to Implement the Guaranty

1. In the event A.I.D. incurs a loss arising from payment of the amounts described in Article I, Paragraph 1, above, A.I.D. will give notice to [NAME OF COUNTRY] as to the amount of the loss and [NAME OF COUNTRY] obligations hereunder. The notice shall be sent to the address listed in Article II, Paragraph 3 below.
2. Promptly upon receipt of the notice described above, and in no event later than thirty (30) calendar days after receipt of the notice, [NAME OF COUNTRY] shall pay to the Comptroller, Agency for International Development, Washington, D. C. 20523, Attention [NAME

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OF COUNTRY]: A.I.D. Housing Project ___-HG-___ the amount of such loss together with interest thereon at the rate of interest specified in the Loan Agreement calculated from the date the sum was paid to Investor by A.I.D. until the date of repayment by [NAME OF COUNTRY].

3. Any communication, advice, request, consent, document, notice or direction given, made, sent, or withdrawn pursuant to this Agreement shall refer to [NAME OF COUNTRY]: A.I.D. Housing Guaranty Project ___-HG-___ and shall be deemed to have been given to and received by any of the following persons on the day it shall be actually received by such person at the address specified below:

To [NAME OF COUNTRY]

Mail Address:

Cable Address:

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Telex No.:

A copy of each document to [NAME OF COUNTRY] shall be sent to:

To A.I.D.:

Mail Address:

Office of Housing

Agency for International Development

Department of State

Room 625, SA/12

Washington, D. C. 20523

ATTENTION: [NAME OF COUNTRY] Housing Project ___-HG-___

Cable Address:

AID WASH DC

Telex Nos.:

ITT: 89-27-03

RCA: 24-83-79

Other addresses may be substituted for the above upon the giving of notice of such substitutions in the manner provided in this Paragraph.

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ARTICLE III

Obligations of A.I.D.

A.I.D. hereby covenants that it will perform its obligations under the Contract of Guaranty in accordance with its terms.

IN WITNESS WHEREOF, [NAME OF COUNTRY] and A.I.D., each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date first above written.

[NAME OF COUNTRY]

BY: _____

NAME: _____

TITLE: _____

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UNITED STATES OF AMERICA

BY: _____

NAME: _____

TITLE: _____

A.I.D. Housing
Guaranty Project -HG-

PAYING AND TRANSFER AGENCY AGREEMENT. dated as of _____, between the Government of _____, acting through the Ministry of _____ (the "Borrower"), and The Riggs National Bank of Washington, D.C., a national banking association organized and existing under the laws of the United States of America (the "Paying Agent").

PREAMBLE

(the "Investor") and the Borrower have entered into a loan agreement, dated as of the date hereof (the "Loan Agreement"), providing for a loan to be evidenced by one or more promissory notes (the "Notes") of the Borrower in the total principal amount of _____ Million United States Dollars ("Dollars") (\$ _____,000,000) (the "Loan");

The persons in whose names the Notes are registered by the Paying Agent according to the terms of this Agreement shall be referred to as the "Noteholders";

The Investor and the Agency for International Development ("A.I.D.") have entered into a contract of guaranty, dated as of the date hereof (the "Contract of Guaranty"), whereby A.I.D. will guarantee the Loan;

The Government of _____ and A.I.D. have entered into an _____ agreement, dated as of the date hereof, providing for the indemnification, backed by the full faith and credit of the Government of _____ of A.I.D. with respect to A.I.D.'s guarantee of the Loan to be made by the Investor to the Borrower pursuant to the Loan Agreement;

The Government of _____, acting through the Ministry of _____

and A.I.D. have entered into an Implementation Agreement, dated as of _____ (the "Implementation Agreement"), providing for the use of the proceeds of the Loan;

The Borrower and the Paying Agent, with the consent of A.I.D., hereby agree as follows:

SECTION 1. PAYING AGENT.

The Borrower hereby appoints the Paying Agent as its Paying and Transfer Agent for the Notes according to the

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terms and the conditions set forth herein and in the Loan Agreement, which is by this reference incorporated herein, and the Paying Agent hereby accepts such appointment.

SECTION 2. AUTHENTICATION.

(a) The Notes shall be limited to the total principal amount of Million Dollars (\$,000,000). Notes up to such total principal amount may be executed by the Borrower, with the A.I.D. guaranty legend endorsed thereon, and delivered to the Paying Agent with written instructions for authentication. The Paying Agent, after receiving A.I.D.'s written consent to such authentication, will authenticate and deliver the Notes in accordance with the written instructions of the Borrower. A.I.D.'s written consent to such authentication of the Notes shall be conclusive evidence that it has approved the issuance of its guaranty of the Notes.

(b) The Notes shall be in fully registered form only and in minimum denominations (exclusive of any repayments of principal) of Dollars (\$

The Notes, with the A.I.D. guaranty legend endorsed thereon, as well as the Paying Agent's certificate of authentication of the Notes, shall be in substantially the forms shown in Attachment 1 to the Loan Agreement.

(c) The Notes shall be signed on behalf of the Borrower, manually or in facsimile, by a duly authorized representative of the Borrower designated in a certificate to be delivered to the Paying Agent under this Agreement. The A.I.D. guaranty legend endorsed on the Notes shall be signed on behalf of A.I.D., manually or in facsimile, by a duly authorized representative of A.I.D. designated in a certificate furnished to the Paying Agent pursuant to this Agreement. Only such Notes bearing a certificate of authentication manually executed by the Paying Agent shall be entitled to the benefits of the Contract of Guaranty or be valid or obligatory for any purpose. The Paying Agent's certificate of authentication shall, when manually executed by the Paying Agent, be conclusive evidence that the Note so authenticated has been duly authenticated and delivered to the Noteholder thereof and is entitled to the benefits of the

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Contract of Guaranty, provided that the Noteholder thereof is an "eligible investor" as defined in Section 238(c) of the Foreign Assistance Act of 1961, as amended (22 U.S.C. Section 2198), at the time it is registered as a Noteholder in accordance with the terms of this Agreement.

- (d) The Paying Agent shall authenticate such Notes even though the authorized representatives of the Borrower and A.I.D. signing the Notes shall cease to hold such positions prior to the authentication and delivery of such Notes.
- (e) Each Note authenticated by the Paying Agent shall have affixed thereto by the Paying Agent an amortization schedule prepared in accordance with the Loan Agreement.

SECTION 3. REGISTRATION, TRANSFER AND EXCHANGE OF NOTES.

- (a) The Paying Agent shall maintain a register of the Noteholders (the "Note Register"). The Note Register shall be open for inspection by the Borrower and A.I.D. during the regular business hours of the Paying Agent. The Paying Agent shall maintain the Note Register to reflect the cancellation of a Note and the issuance of a new Note in accordance with this Section.
- (b) The Borrower, A.I.D. and the Paying Agent shall be entitled to treat the registered Noteholders as the owners of the Notes for all purposes of the Contract of Guaranty, this Agreement and the Loan Agreement, and shall not be affected by any notice to the contrary.
- (c) The Notes shall be freely transferable and exchangeable for Notes of other authorized denominations of like total principal amount at the principal corporate trust office of the Paying Agent

Such transfer
or exchange must be in compliance with this Section
and must be registered by the Paying Agent.

- (d) Subject to the limitation contained in Section 3 hereof, upon surrender of any Note for transfer at the principal corporate trust office of the Paying Agent, the Borrower shall execute, with the A.I.D. guaranty legend endorsed thereon, and the Paying

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Agent shall authenticate and deliver in the name of the designated assignee, one or more new Notes in a like total principal amount. The new Notes shall be forwarded to the Noteholders by first-class registered or certified mail, uninsured, return receipt requested.

- (e) The Borrower shall execute, with the A.I.D. guaranty legend endorsed thereon, and the Paying Agent shall authenticate and deliver any new Note exchanged for other Notes of like total principal amount upon surrender of such Notes at the principal corporate trust office of the Paying Agent.
- (f) All new Notes issued upon any transfer or exchange of Notes may be executed by the Borrower, and the A.I.D. guaranty legend thereon may be executed by A.I.D., in the manner set forth in Section 2 hereof, and such Notes shall be valid obligations of the Borrower, evidencing the same debt and entitled to the same benefits under the Contract of Guaranty as the Notes surrendered upon such transfer or exchange when the certificate of authentication on such Notes is manually executed by the Paying Agent.
- (g) Every Note presented or surrendered for registration of transfer or exchange shall be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent, duly executed by the Noteholder thereof or his attorney duly authorized in writing. No service charge shall be made against the Noteholders for any transfer or exchange of Notes. Each new Note authenticated and delivered by the Paying Agent upon registration of transfer or exchange shall be so dated that neither gain nor loss of interest shall result from such registration of transfer or exchange. In the event that payments on account of principal or interest shall have been made on the Note or Notes surrendered for registration of transfer or exchange, the amortization schedule attached to such new Note or Notes shall be marked by the Paying Agent to denote such prior payments.
- (h) No transfer on the Note Register will be made by the Paying Agent during the period from any Record Date to the next succeeding Payment Date. The Paying Agent shall not be required to register the transfer or exchange of any Note after notice of the prepayment of Notes has been received by the Paying Agent in accordance with this Agreement and until after the date of such prepayment. An

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assignee of a Note shall not be entitled to receive from the Paying Agent any payments of principal and/or interest with respect to the Note prior to registration in the Note Register.

SECTION 4. MUTILATED, DESTROYED, LOST AND STOLEN NOTES.

- (a) If (i) any mutilated Note is surrendered to the Paying Agent, or the Borrower, A.I.D. and the Paying Agent receive evidence to their satisfaction of the destruction, loss, or theft of any Note, and (ii) in the case of any such destruction, loss, or theft there is delivered to the Borrower, A.I.D., and the Paying Agent such security or such indemnity (issued by such surety) as may be required by them to hold each of them harmless, then, in the absence of notice to the Borrower, A.I.D. or the Paying Agent that such Note has been acquired by a bona fide purchaser, the Borrower shall execute, and the Paying Agent shall authenticate and deliver, in exchange for, or in lieu of any such mutilated, destroyed, lost or stolen Note, a new Note, with the A.I.D. guaranty legend endorsed thereon, of like tenor and principal amount. If the Note has become, or is about to become, due and payable, the Borrower may authorize the payment of such Note instead of executing a new Note.

- (b) Every new Note issued according to this Section in lieu of any mutilated, destroyed, lost or stolen Note may be executed by the Borrower, and the A.I.D. guaranty legend thereon may be executed by A.I.D., in the manner set forth in Section 2 hereof. Each such new Note, when the certificate of authentication is manually executed by the Paying Agent, shall constitute an original additional contractual obligation of the Borrower, whether or not the mutilated, destroyed, lost or stolen Note shall at any time be enforceable by anyone, and such new Note shall be entitled to all the benefits of the Contract of Guaranty.

SECTION 5. METHOD OF PAYMENTS.

- (a) The Borrower will remit to the Paying Agent in immediately available funds of the United States of America not later than three (3) Business Days (as

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hereinafter defined) prior to any date on which a principal or interest payment is due, including any date fixed for the redemption of Notes prior to the stated maturity thereof (the "Payment Date"), an amount sufficient to pay in full (i) the amount of principal and/or interest due on such Payment Date on the Notes under the Loan Agreement and (ii) the A.I.D. Guaranty Fee due on such Payment Date under the Implementation Agreement. The Paying Agent shall notify the Borrower at least fifteen (15) Business Days prior to each Payment Date as to the amount of principal and/or interest due on such Payment Date on the Notes and the amount of the A.I.D. Guaranty Fee due on such Payment Date.

- (b) The Borrower authorizes and directs the Paying Agent, and the Paying Agent agrees to pay (i) the principal and/or interest due on the Notes on such Payment Dates and (ii) the A.I.D. Guaranty Fee due on such Payment Dates under the Implementation Agreement from the funds paid to it by the Borrower according to this Section. In the event that a Payment Date shall not be a Business Day, then the Paying Agent on behalf of the Borrower shall make all payments to be made on such Payment Date from the funds paid to it by the Borrower according to this Section on the next succeeding Business Day, as if such succeeding Business Day were a Payment Date. "Business Day" is defined herein to mean a date on which banks in the District of Columbia of the United States of America are open for business.
- (c) Payments of principal and interest due on all Payment Dates, except for the principal due on the last Payment Date, shall be made by check mailed on the respective Payment Date to the registered Noteholders on the respective Record Date at their respective addresses as shown in the Note Register; provided, however, that at the written request of any Noteholder such payments may be made by wire transfer in immediately available funds to such account at a bank located in the United States as directed by the Noteholder. On the last Payment Date, or on a date on which a total prepayment of a Note is to be made, such Note must be presented for payment at the principal corporate trust office of the Paying Agent, and such payment of principal shall be made at the option of the Noteholder either by check or by wire transfer in immediately available funds to such account at such bank in the United States as is directed by the Noteholder. Payment

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of the A.I.D. Guaranty Fee shall be made as directed by A.I.D. Until further notice by A.I.D., the A.I.D. Guaranty Fee may be made by electronic fund transfer to the Federal Reserve Bank of New York by specifying "Credit to the U.S. Treasury, New York City, A.I.D. Agency Location Code 72000001, A.I.D. Project No. -HG- "

- (d) Notwithstanding the payment to the Paying Agent prior to a Payment Date under Section 5(a), the Borrower shall not be discharged of any obligation to make payment on the Notes, but shall be discharged only by the complete payment to the Noteholders of the amount then due thereon.
- (e) The Paying Agent shall not be under any liability to the Borrower for interest on any payments received by it in accordance with Section 5(a) prior to the time that such monies are to be distributed by the Paying Agent to the Noteholders under the terms of the Loan Agreement and this Agreement.

SECTION 6. PREPAYMENTS.

- (a) If A.I.D. requires the Borrower to prepay the Notes, in whole or in part, prior to the stated maturity date in accordance with the terms of the Loan Agreement, the Paying Agent shall receive written notice from A.I.D. at least forty-five (45) calendar days but not more than sixty (60) calendar days before the date of prepayment of the Notes, of the exact amount of principal and any interest due to be paid on such date.
- (b) The Paying Agent shall provide each registered Noteholder, at least thirty (30) calendar days prior to the date of prepayment, with written notice specifying the principal amount of Notes to be prepaid, the date for such prepayment, the price at which the Notes are to be prepaid and, in the case of a partial prepayment, the aggregate principal amount of the Notes outstanding and the portion of each outstanding Note to be prepaid.
- (c) If less than the unpaid principal amount of all the Notes outstanding is to be prepaid, the Paying Agent shall allocate the amount to be applied to the prepayment of Notes on a pro rata basis as to all the Notes outstanding. After any such prepayment, the remaining payments due on each Note shall be adjusted to re-amortize the remaining unpaid principal amount of each Note in equal installments over the remaining number of scheduled Payment Dates on which installments

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of principal are due, which dates shall not be changed as a result of any such prepayment. A new amortization schedule as to each Note still outstanding shall be prepared by the Paying Agent and shall be distributed to the Noteholders. The method of payment to the Noteholders in connection with any prepayment shall be the same as that followed for regular payments under this Agreement.

SECTION 7. CANCELLATION OF NOTES.

The Borrower may at any time deliver a Note, whether purchased or otherwise acquired by it, to the Paying Agent for cancellation. Any Note so delivered or paid in full or otherwise retired, any mutilated Note surrendered for a new Note, and any Note surrendered for registration of transfer or exchange for another Note under any of the provisions of this Agreement or the Loan Agreement shall be cancelled by the Paying Agent. The Paying Agent shall deliver the cancelled Note to the Borrower, and shall notify A.I.D. of such delivery within thirty (30) calendar days of the surrender of the Note. Except for a new Note issued in lieu of any mutilated, destroyed, lost or stolen Note or upon any transfer or exchange of Notes, no Note shall be issued for any Note so cancelled.

SECTION 8. PAYING AGENT'S FEE.

[TO COME]

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SECTION 9. MERGER OF PAYING AGENT.

Any corporation into which the Paying Agent may be merged or converted, any corporation with which the Paying Agent may be consolidated, or any corporation to which the Paying Agent shall sell or otherwise transfer all or substantially all of its corporate assets and business shall be the successor Paying Agent under this Agreement and shall be bound by the provisions of this Agreement without the need to execute and file any further documents or the need on the part of any of the parties to this Agreement to take any further action.

SECTION 10. DUTIES, SCOPE OF AUTHORITY, AND LIMITATION ON THE LIABILITY OF THE PAYING AGENT.

- (a) The Paying Agent's duties and its authority to act as the agent for the Borrower are limited to the duties and authorities specifically provided for in this Agreement and the Loan Agreement.
 - (b) No implied obligation of the Paying Agent and no implied authority of the Paying Agent to act as agent for the Borrower shall be read into this Agreement.
 - (c) The Paying Agent agrees that it will perform those duties specifically set forth in this Agreement and the Loan Agreement in good faith. The Paying Agent shall not be responsible or accountable to anyone, either by reason of its authentication of any Note or for any other reason whatsoever, with respect to the validity of this Agreement, the Loan Agreement, the Contract of Guaranty or any Note or for any act done or omitted by the Paying Agent in good faith, or for anything whatsoever in connection with this Agreement, the Loan Agreement, the Contract of Guaranty, or the Notes except for its own or its employees' negligence or willful misconduct in the performance of any duty to be performed by the Paying Agent hereunder.
 - (d) The Paying Agent may be or may become a creditor, directly or indirectly, of the Borrower, make any loans to the Borrower, hold any form of indebtedness thereof, including any of the Notes; own, accept, or negotiate any drafts, bills of exchange,
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acceptances, or obligations thereof; make disbursements therefor and enter into any commercial or business arrangement with the Borrower without limitation or without any real or apparent conflict of interest by reason of any such dealing, or any liability on the part of the Paying Agent arising out of a claim that a conflict of interest exists by reason of such activity.

- (e) The Paying Agent shall indemnify the Borrower against any loss or liability and agrees to pay or reimburse Borrower for any reasonable expense, including counsel fees incurred by the Borrower in connection with defending against any loss or liability by reason of, or in connection with the Paying Agent's or its employees' negligence or willful misconduct in the performance of, any duty to be performed by the Paying Agent hereunder. The obligation of the Paying Agent under this subsection shall survive the full payment of the Notes.
- (f) In acting as the Paying Agent under this Agreement, the Paying Agent is acting solely as the agent of the Borrower, under the terms and subject to the conditions of this Agreement. Any money held with respect to any Note remaining unclaimed for a period of six (6) months after such Note has become due and payable shall be repaid to the Borrower.
- (g) The Borrower agrees to indemnify the Paying Agent against any loss or liability and agrees to pay or reimburse the Paying Agent for any reasonable expenses, including counsel fees incurred by the Paying Agent in connection with defending against such loss or liability by reason of, or in connection with, its appointment as a Paying Agent, and its duties as the Paying Agent, except for its own or its employees' negligence or willful misconduct in the performance of any duty to be performed by the Paying Agent. The obligation of the Borrower under this subsection shall survive the full payment of the Notes.

SECTION 11. SIGNATURES.

The Paying Agent shall, from time to time, be furnished with a certificate from a duly authorized representative of the Borrower and a certificate from a duly authorized

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representative of A.I.D. designating by name the representatives of the Borrower and A.I.D., authorized on behalf of the Borrower to sign the Notes and authorized on behalf of A.I.D. to sign the guaranty legend endorsed on the Notes, either by manual or facsimile signature, and authorized to deliver any orders, notices, requests or other instruments according to this Agreement, the Loan Agreement or the Contract of Guaranty. The Paying Agent shall be fully justified and protected in relying upon such certificate of the Borrower and the certificate of A.I.D. furnished in accordance with this Agreement and the Loan Agreement until such time as the Paying Agent shall have received written notice of any rescission thereof or amendments thereto.

SECTION 12. DURATION OF PAYING AGENT.

- (a) The Borrower agrees that there shall at all times be a Paying Agent hereunder, and the Paying Agent agrees to act as the Paying Agent until there are no Notes outstanding or until six (6) months after the payment of all the Notes shall have become due and payable and monies for the payment of all interest and principal of the Notes shall have been made available at the office of the Paying Agent, whichever is earlier. However, Borrower may, at its option, with the consent of A.I.D., remove the Paying Agent from its duties hereunder, without cause, upon ninety (90) calendar days' prior written notice and, with A.I.D. approval, appoint a successor Paying Agent. The Paying Agent may resign at any time by giving a minimum of ninety (90) calendar days' prior written notice of resignation to the parties to this Agreement.
- (b) Such notice of removal or resignation shall designate the date on which such removal or resignation is to be effective; provided, however, that such removal or resignation shall not be effective until the appointment of a successor Paying Agent and the acceptance of such appointment by such successor Paying Agent. The successor Paying Agent shall be an established financial institution authorized under applicable laws to act as Paying Agent and perform the functions contemplated hereby and having its offices located in the continental United States

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at which the Paying Agent's functions will be performed. The Paying Agent shall execute all documents and take all such other steps as may be necessary or appropriate to transfer all of its rights and powers under this Agreement and monies held hereunder to the successor Paying Agent. Upon the effectiveness of such appointment of a successor Paying Agent the name and address of the successor Paying Agent shall be promptly given to each registered Noteholder by the then Paying Agent.

SECTION 13. AMENDMENTS OF THIS AGREEMENT.

This Agreement may be amended by the Borrower and the Paying Agent, with the written consent of A.I.D., and the written consent of the Noteholders of not less than sixty-six and two-thirds percent (66-2/3%) in principal amount of all the Notes outstanding at the time; provided, that:

- (i) if such amendment would change the terms of payment of the principal of, or interest on, or any additional amounts payable on any Note or the terms and conditions of prepayment thereof or modify in any manner adverse to the Noteholders the terms and conditions of the Contract of Guaranty or affect the rights of the Noteholders of less than all the Notes at the time outstanding, the consent of the Noteholders of all outstanding Notes shall be required; and
- (ii) if any such amendment would reduce the afore-said percentage required for authorization of such amendment, the consent of the Noteholders of all outstanding Notes shall be required.

SECTION 14. REPORTS, BOOKS AND RECORDS.

- (a) The Paying Agent shall keep records relating to each Note, including all payments of principal and interest, and the outstanding investment respecting all outstanding Notes under the Loan Agreement and amounts due and unpaid on the Notes. The Paying Agent shall furnish to A.I.D. and the Borrower a semi-annual report showing (i) the outstanding investment on all outstanding Notes as of the end of each six-month period and (ii) as to each Note, the

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allocation of payments to principal, including pre-payments, and interest, as well as interest on overdue principal and interest, if any, made on each Payment Date during such six-month period. Such report shall be made within thirty (30) calendar days of the end of the six-month period being reported.

- (b) The Paying Agent will grant authorized representatives of A.I.D. and the Borrower access to records maintained according to this Agreement upon reasonable request during regular business hours for the duration of this Paying and Transfer Agency Agreement and for six (6) years following payment in full of any Note. The Paying Agent will send to the Borrower, A.I.D. or its designees copies of such records as A.I.D. may reasonably request.

SECTION 15. A.I.D.

In order to induce A.I.D. to consent to this Agreement it is agreed by the Borrower and the Paying Agent that A.I.D., by virtue of consenting to this Agreement, has the same rights hereunder as though it were a party to this Agreement.

SECTION 16. NOTICES.

- (a) Any notice pursuant to this Agreement shall be given by telex, by cable or in writing by registered air-mail, postage prepaid, and shall be addressed as follows:

To the Borrower:

Mailing Address:

Telex No.: _____

To the Borrower's Paying Agent:

Mailing Address:

The Riggs National Bank of Washington, D.C.
 Corporate Trust Division
 1120 Vermont Avenue, N.W.
 Fourth Floor
 Washington, D.C. 20005
 Attn: . A.I.D. Housing Guaranty Project
 -HG-

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Cable Address:

RIGGSBANK WASH

Telex Nos.:

ITT 44-01-03 Answer Back - RIGGSBK
RCA 24-83-63 Answer Back - RIGG JR
Western Union 64110 Answer Back - RIGGSWSH

To A.I.D.:

Mailing Address:

Office of Housing and Urban Development
Agency for International Development
Department of State
Room 625, SA-12
Washington, D.C. 20523
Attn: A.I.D. Housing Guaranty Project
-HG-

Cable Address:

AID WASH DC

Telex Nos.:

ITT 89-27-03
RCA 24-83-79

- (b) The above addresses may be changed upon written notice to the other parties to this Agreement.
- (c) Each Noteholder shall be notified at the address shown on the Note Register maintained by the Paying Agent.

SECTION 17. COUNTERPARTS.

This Agreement may be executed in any number of counterparts each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

SECTION 18. HEADINGS.

The headings for the Sections of this Agreement are for convenience of reference only and are not a part of this Agreement.

SECTION 19. DEFINITIONS.

The capitalized terms used in this Agreement shall have the same meaning as in the Loan Agreement and Contract of Guaranty, and where the singular is used it shall include the plural of that term.

SECTION 20. GOVERNING LAW.

The terms of this Agreement shall be governed by and construed in accordance with the laws of the District of Columbia of the United States of America.

IN WITNESS WHEREOF, this Paying and Transfer Agency Agreement is signed by the authorized representatives of the Borrower and the Paying Agent, and consented to by the authorized representative of A.I.D.

GOVERNMENT OF

BY: _____

NAME: _____

TITLE: _____

CONSENTED TO:
AGENCY FOR INTERNATIONAL
DEVELOPMENT

THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

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Appendix 5G

May 11, 1983

[NAME OF COUNTRY] ESCROW AGREEMENT

PROJECT NO. [PROJECT NUMBER]

This Escrow Agreement dated as of [DATE] among the [NAME OF COUNTRY] (the "Borrower"), The Riggs National Bank of Washington, D.C. (the "Escrow Agent"), a banking corporation organized and existing under the laws of the United States of America, and the United States of America acting through the Agency for International Development ("A.I.D.").

In consideration of the promises and obligations set forth below, the parties hereto agree as follows:

1. BACKGROUND AND PURPOSE. Reference is made to the A.I.D. Housing Project No. [PROJECT NUMBER] whereunder Borrower is borrowing certain sums from [NAME OF INVESTOR] (the "Investor") pursuant to the terms of a Loan Agreement, dated as of the date hereof (the "Loan Agreement"), and an Implementation Agreement, dated as of [DATE], as amended (the "Implementation Agreement"). As of the date hereof, Borrower has not fulfilled all of the terms and conditions of the Loan Agreement and the Implementation Agreement. Accordingly, in order to permit a disbursement to proceed as scheduled under the Loan Agreement, the sums disbursed by the Investor are to be placed and held in escrow subject to the terms and conditions set forth below.
2. DEPOSIT OF FUNDS IN ESCROW. The Borrower shall instruct the Investor to direct its Loan disbursement to take place on or before [DATE], to an account to be identified as [NAME OF ESCROW ACCOUNT] (the "Escrow Account"). The funds deposited into such account together with all accrued earnings thereon are referred to as the "Escrow Funds".
3. MANAGEMENT OF ESCROW FUNDS. The Escrow Agent shall invest and reinvest the Escrow Funds in (i) United States dollar debt obligations which are issued or guaranteed by the United States of America or any of its instrumentalities, or (ii) time deposits in, or certificates of deposit or bankers acceptances issued by, United States banks operating under the laws of the United States or any state thereof and having assets in excess of \$100,000,000, which time deposits, certificates of deposit, or bankers acceptances shall be denominated in United States dollars or (iii) repurchase agreements fully secured by obligations of the kind specified in (i) above (all of the foregoing being referred to as the "Obligations"). Investments shall be made only in Obligations in the name of the Escrow Agent or its nominee. The Escrow Agent shall not invest more than ten percent (10%) of the Escrow Funds or \$5,000,000, whichever

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is greater, in any single financial institution described in (ii) above. The Escrow Agent shall use its best efforts to keep the Escrow Funds fully invested at all times in order to obtain a reasonable yield on its purchase and sale of the Obligations. In order to assure funds are available to meet the needs of the Project, the Escrow Agent shall make investments in commitments obligating the Escrow Funds for no more than 182 calendar days or as otherwise agreed to between the Borrower and A.I.D. At the time of the disbursement of the Loan funds into escrow, the Borrower shall provide a schedule to the Escrow Agent setting forth the dates when the Borrower intends to request disbursements from escrow and the amounts of such requests. The Escrow Agent shall use such schedule as guidance for the investment of the Escrow Funds. If the Borrower fails to provide such schedule, the Escrow Agent shall use its reasonable judgment as to the length of the time that investments are made. The Borrower, after consultation with A.I.D., may instruct the Escrow Agent periodically with respect to the length of time that investments may be made and the form of Obligation in which the Escrow Funds shall be invested. If the Borrower does not provide the Escrow Agent with such instructions, the Escrow Agent shall invest the Escrow Funds in Obligations of the kind specified in (i) above maturing in no more than 182 calendar days. The reasonable judgment of the Escrow Agent as to the advisability and mode of exercising such investment powers shall be final and conclusive as to all persons interested in the Escrow Fund. All income and interest earned by the Escrow Funds shall be deposited in the Escrow Account and added to the Escrow Funds. Any funds not invested in the manner set forth above shall be held in cash and no interest shall be paid thereon. The Borrower may at any time, subject to the concurrence of A.I.D., instruct the Escrow Agent as to specific investments.

4. RELEASE FROM ESCROW.

- A. The Escrow Agent shall release the Escrow Funds to the Borrower only in accordance with the written or telegraphic instructions from the Borrower together with the written or telegraphic concurrence of A.I.D.
- B. The Escrow Agent shall release Escrow Funds to A.I.D. or to the Investor or its assignees either: (1) upon written or telegraphic instructions from the Borrower when accompanied by A.I.D.'s concurrence; or (2) upon the written or telegraphic advice of A.I.D., acting alone.
- C. Except for the final disbursement and except for disbursements made pursuant to paragraphs D and E, all disbursements from the Escrow Account shall be in amounts of not less than one hundred thousand dollars (\$100,000).

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- D. In the event that the Borrower shall have failed to comply with any of the terms and conditions of its agreements relating to the Project, A.I.D. shall have the right to direct payment of all or a portion of the Escrow Funds to such account as A.I.D. may specify.
- E. A.I.D. may direct payment of all or a portion of the Escrow Funds to such account as A.I.D. may specify for any payment made by A.I.D. arising from the Borrower's non-payment of a scheduled payment, whether due to default, rescheduling, or other reason in connection this or any other A.I.D. Housing Guaranty project.
5. EARNINGS. The Borrower shall use its best efforts to apply all earnings accrued on funds deposited into the Escrow Account for the purpose of financing the Project in the manner prescribed in the Implementation Agreement, or in such other manner as A.I.D. may agree to in writing.
6. TERM. This Escrow Agreement shall expire upon the disbursement of all Escrow Funds.
7. FEE. The Escrow Agent shall be entitled to, and the Borrower shall pay to the Escrow Agent, the sum of Five Hundred United States Dollars (\$500.00) upon the execution of the Escrow Agreement, and one percent (1%) on all income earnings from the investment of funds in the Escrow Account. The Escrow Agent may deduct such charges from the earnings on the investment of the Escrow Funds but may not make any such deduction from the principal amount deposited in the Escrow Account.
8. DISPUTES. Should any dispute arise with respect to the delivery, ownership, or right of possession of the Escrow Funds or the Obligations, the Escrow Agent shall continue to invest and reinvest the Escrow Funds as provided in Paragraph 3 herein and shall retain in its possession, without liability to anyone, said Escrow Funds or Obligations until such dispute shall have been settled either by mutual agreement of the parties concerned or by a final order, decree or judgment of a court of competent jurisdiction in the United States of America, and time for appeal has expired and no appeal has been perfected. The Escrow Agent shall be under no duty whatsoever to institute or to defend any such proceedings.
9. LIABILITY. The Escrow Agent shall be obligated only for the performance of such duties as are specifically set forth herein and may rely on and shall be protected in acting or refraining from acting on any instrument reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties and the Escrow Agent shall not be bound by any notice of a claim, or demand with respect thereto, or any waiver, modification, amendment, termination or rescission of this Escrow Agreement, unless received

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by it in writing, and if its duties herein are affected, unless the Escrow Agent shall have given its prior written consent thereto. The Escrow Agent shall not be liable for any action taken or omitted by it in good faith and reasonably believed by it to be authorized hereby.

10. RESIGNATION AND DISCHARGE OF ESCROW AGENT. The Escrow Agent may resign and be discharged from its duties or obligations hereunder by giving at least thirty (30) calendar days written notice of such resignation to A.I.D. and Borrower specifying the date when such resignation shall take effect. Such resignation and discharge shall be effective only upon the disbursement of the Escrow Funds and the transfer of Obligations pursuant to A.I.D.'s written instructions as provided in Paragraph 4. A.I.D. shall deliver such instructions to the Escrow Agent prior to the date for resignation specified in the notice of resignation.

11. INDEMNITY. The Escrow Agent shall have no responsibility for losses resulting from fluctuations in the value of the Obligations. Borrower hereby agrees to indemnify the Escrow Agent for and hold it harmless against any loss or liability for expenses incurred without negligence or bad faith on the part of the Escrow Agent arising out of or in connection with entering into this Agreement and carrying out its duties hereunder. Should any disputes arise between the parties hereto and others, or merely between themselves, it is understood and agreed that the Escrow Agent may interplead such disputes and the parties hereto will hold the Escrow Agent harmless and will indemnify it against all consequences and expenses which may be incurred by the Escrow Agent in connection therewith. In the event that the Escrow Agent shall find it necessary to consult with counsel of its own choosing in connection with this Agreement, any expenses so incurred will be reimbursed by the Borrower upon the Escrow Agent's request. Any such expense that may be incurred in accordance with the above shall be a first lien against the earnings on the investment of Escrow Fund pursuant to Paragraph 3.

12. NOTICES. All notices and communications hereunder shall be in writing and shall be deemed to be duly given when delivered personally or when sent by registered mail, return receipt requested, or by tested telex as follows:

To Borrower:
Mail

Telex No.:

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With copies (but failure to receive such copies shall in no way affect the validity of the notice) to:

To A.I.D.:

Mail

Office of Housing
Agency for International Development
Room 625, SA/12
Washington, D. C. 20523
ATTN: [PROJECT NUMBER]

Cable Address

AID WASH DC
ATTN: [PROJECT NUMBER]

Telex

ITT: 440001 (answer back is AIDWNDC)
RCA: 248379 (answer back is 248379 AID UR)
Western Union 892703 (answer back is AID WSH)
WUI 64154 (answer back is AID 64154)
ATTN: [PROJECT NUMBER]

To Escrow Agent:

Mail

The Riggs National Bank of Washington, D. C.
Corporate Trust Administration
1510 H Street, N.W., 4th Floor
Washington, D. C. 20005
ATTN: [PROJECT NUMBER]

Cable Address

RIGGS BANK WASH

Telex

ITT: 44-01-03 Answer Back: RIGGSBK
RCA: 24-83-63 Answer Back: RIGG UR
western Union: 64110 Answer Back: RIGGSWSH
ATTN: [PROJECT NUMBER]

13. RECORDS. The Escrow Agent shall maintain complete and adequate records of all transactions of the Escrow Account and shall forward to the Borrower and A.I.D. monthly statements of transactions and quarterly statements of assets. The Escrow Agent shall also make such other reports to A.I.D., and permit authorized A.I.D. officials to have access to such records as A.I.D. may reasonably request.
14. COUNTERPARTS. This Escrow Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

15. AMENDMENTS. This Escrow Agreement may not be altered or amended except by an instrument in writing signed by all the parties hereto.
16. INVESTMENT RISK. The Escrow Agent shall be liable only for the performance of the duties specifically set forth herein and has no liability for fluctuations in the value of the Escrow Fund investments. The Borrower acknowledges that (i) it has been advised of the current rates of return for eligible investments of Escrow Funds under Paragraph 3, (ii) there can be no assurance as to the actual yields that will be obtained on the investment of the Escrow Funds, and (iii) the risk of any fluctuations in the value of Escrow Funds rests solely with the Borrower.
17. GOVERNING LAW. This Escrow Agreement shall be construed in accordance with the laws of the District of Columbia of the United States of America.

UNITED STATES OF AMERICA

THE RIGGS NATIONAL BANK
OF WASHINGTON, D.C.

BY: _____ BY: _____

NAME: _____ NAME: _____

TITLE: _____ TITLE: _____

[NAME OF COUNTRY]

BY: _____

NAME: _____

TITLE: _____

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CHAPTER 6

FINANCIAL MANAGEMENT OF THE HOUSING GUARANTY PROGRAM

6A. RESPONSIBILITIES AND AUTHORITIES

The typical Housing Guaranty loan is made for a term of up to 30 years and the guaranty remains operative for an equal period or until the U.S. investor is fully paid. Because of the contingent liability and the continuing process by the borrower of collection and disbursing payments to the U.S. lender as well as the AID guaranty fee, the Agency monitors the amortization of the loan until it is paid. This monitoring is done by the Loan Division, Office of Financial Management (FM/LMD) in conjunction with PRE/H.

FM/LMD also maintains the official accounts of the AID Housing Guaranty Program and performs a variety of funds control and financial management services to PRE/H. Among these are the preparation and issuance of various internal and external reports on fiscal and financial aspects of the Housing Guaranty Program. These include the following:

1. Internal Management Reports

(a) A quarterly report--Financial Summary, Housing and other Credit Guaranty Programs (Reports Control Symbol W-239), is issued to assist management's review of Program activity. This Report provides information on the status of the Fund, (described in 1B6) and includes quarterly and cumulative income and expenses; comparative actual vs. budgeted expenditures; and status of contract issuing authority.

(b) In addition, FM/LMD prepares periodic management reports such as projections of contingent liability on outstanding guaranties, historical financial data, analyses of Program operations data and cost of operations analyses.

2. External Reports

In response to regulatory requirements, fiscal and financial reports are submitted as required to the Treasury Department, Office of Management and Budget, Department of Commerce and other interested agencies.

6B. COLLECTION AND DEPOSIT OF FEES

AID fees and other collections related to the Program are deposited with the Treasury through the FM Central Collection Office.

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1. Verification of AID Fee

Payments of the guaranty fee are verified and reconciled as appropriate. In instances of deficiencies, M/FM/LMD advises PRE/H and follow-up action is taken.

2. Deposits

All collections are transmitted directly to the AID/W Cashier for deposit with the Treasury.

6C. MONITORING ACTIVITY IN THE HOUSING GUARANTY FUND

FM/LMD assures that the Fund is used in accordance with the annual funding plan developed by PRE/H and within the apportionment controls established by OMB.

1. Fund Plan and Allotment Authorization Limitations

(a) FM/LMD assures that commitments and obligations against the Housing Guaranty Fund for recurring operating and administrative expenses are within the approved funding plan and the quarterly advice from the Office of Financial Management, fund control Division (FM/FCD). These include expenses for personnel compensation and benefits, travel, and miscellaneous items. The amount is governed by the quarterly apportionment by OMB and cannot be exceeded. In special circumstances, and when required for the continued viability of the Program, a supplemental request for additional apportionment may be made to OMB. The request is coordinated by FM/LMD and PRE/H for action by FM/FCD.

(b) FM/LMD assures that allotment availability is provided in accordance with the annual requirements of the Program for contractual operations and claims and apportioned on an annual basis by OMB. FM/LMD also assures that charges against the Housing Program Fund are bona fide activities carried out under this limitation by other Government agencies or outside contractors.

2. Payment of Claims

Formal claims for payments to investors under the Guaranty Program are reviewed by PRE/H and GC/H. When they have been validated, PRE/H submits a Public Voucher for Purchases and Services other than Personal (Standard form 1034) to FM/LMD in order to process the payment of the claim from the Housing Guaranty Fund. Constructive claims are deemed to exist when a noteholder has not been paid as and when due. On these occasions, PRE/H and FM/LMD may agree to process a payment in accordance with the procedures outlined above.

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3. Certification of Fund Availability

Before the incurrence of an obligation, M/FM/LMD prevalidates fund availability in the appropriation account (No. 72X4340), and annotates thereon "Funds Available," together with the date and signature of the responsible officer of FM/LMD. The certification also establishes compliance with Section 3679, Revised Statutes, prohibiting over-expenditures of appropriations and apportionments.

4. Clearance of Action and Implementation Documents

Action documents, for example a PIO/T, Form AID 1350-1, initiated by PRE/H to incur a contractual obligation must be submitted to FM/LMD for fiscal review and adequacy of funds before release to the Bureau for Program and Management Services, Office of Contract Management (SER/CM), for implementation. FM/LMD clears by stating on the document that an allotment is available for the future obligation of funds on the basis of a bona fide obligation, such as execution of a contract.

5. Loan Reviews

Housing Guaranty loans receive regular financial reviews as necessary. Normally these consist of desk reviews in which the financial reports from the investors and borrowers are analyzed to identify any financial problems such as delinquences, non-reconciliation of mortgage portfolios, etc. Periodic reports are provided by FM/LMD to PRE/H on all loans on which problems have been identified. Also, field reviews may be undertaken from time to time to assist and advise on remedying specific problems. (In addition, special reviews may be undertaken by PRE/H, Mission or Embassy, or another party to the transaction.) These field reviews are physical reviews performed in the host country usually at the office of the borrower. Recordkeeping and reporting procedures are reviewed for accuracy and compliance with the terms of the Implementation Agreement. If necessary, suggestions are made for changes or improvement in operating procedure and included in the report to PRE/H to assure compliance by the borrower.

6D. BUDGET PREPARATION AND REVIEW

Based on information in the official accounts, FM/LMD provides input to PRE/H for development of annual budget requests and, as required, during reviews by OMB and the Appropriations committees of the Congress. FM/LMD prepares supplemental, analytical, and other supportive fiscal and financial input for coordination with PRE/H and submission through the Bureau for Program and Policy Coordination, Office of Resources and Budget.

6E. CLAIMS

FM/LMD, GC/H, and PRE/H coordinate on payments of claims against AID and the recovery of claims against third persons.

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SUPPLEMENT A

HG SECTOR PROGRAM GUIDANCE

Purpose

These provisions supplement, with respect to the Housing Guaranty program, guidance on sectoral HG programs. Reference is made to Handbook 1, Part VII dated October 30, 1985 titled "Program Sector Assistance Guidance" other Agency as well as State 386936, the LAC Bureau cable on this subject of December 14, 1987.

Program Design Documentation

In proposing a HG sector program, a PID will be used which addresses the areas listed in Paragraph 9 of Handbook 1, Part VII. The PID will be followed by an analysis which will cover points raised in the PID approval cable and otherwise cover issues raised in Paragraph 8 of Handbook 1, Part VII.

This documentation will be submitted to the authorizing official with a HG authorization which, when signed, will constitute administrative approval of the program. The HG authorization format should be the same as now used.

The design documents will normally reflect a multi-year commitment of HG resources. Additional authorizations after the initial one will be based on a progress report that will reflect (a) the changes, if any, of the assumptions made in the design of the program, (b) the progress made in the achievement of the objectives including the production of eligible projects, and (c) the new or revised benchmarks, if any, to determine progress in the achievement of the policy, programmatic and institutional changes in the delivery system for shelter and related services for low-income families. This report can be prepared by addressing the points in Paragraph 9 of Handbook 1, Part VII and if needed some of the points in Paragraph 8 of Handbook 1, Part VII.

Program Agreements

The Program Agreements will take the analysis, goals, and benchmarks in the design documents and translate them into a mutual set of undertakings. Each agreement should contain in the text a strong statement of mutual sectoral goals and objectives. Annex A should contain the agreed Program Action Plan which should describe the process designed to achieve the sectoral goals and objectives stated in the text of the

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agreement. We expect that this plan will be amended from time to time by PILs to reflect the changing conditions in the host country. This flexibility will enable RHUDOs to deal with the development process that our collective experience reveals to be the norm in LDCs. The agreements will require the periodic review of the Program Action Plans. The reviews will take into consideration country budgets thus monitoring the manner funds are allocated for the sector. Allocation of resources in support of activities and changes leading to the achievement of the sector objectives will be a key indicator of progress in our development efforts. Wherever possible, Technical and Program reviews will be scheduled to take place before the review meetings between the RHUDOs and the participating institution(s).

Basically, HG dollars will be advanced on the basis of progress in policy programmatic and institutional changes in the delivery system for shelter and related services for low-income families. We should be prepared to initially advance HG resources based on the commitment by the participating countries to the overall sector goals and the related Program Action Plan. The levels of the First disbursement could range from the standard 25 percent of the authorized level up to \$25 million. The design document will describe the amount of the first disbursement and its justification.

Evidence of eligible local currency expenditures will be collected to "liquidate" dollar advances or justify further dollar disbursements. In brief, HG monies can flow on the basis of policy and related changes and/or the financing of eligible expenditures, but will ultimately result in the production of at least the equivalent amount of shelter and urban services for low-income families. The program documentation and agreements will define eligible local currency expenditures. Eligible local currency expenditures attributed to the dollars disbursed should be defined broadly and need not be additional to planned expenditures although they may be expected often to involve a change in beneficiaries (to lower incomes). However, there should be a reasonable relationship between the policy agenda and the definition of eligible local currency expenditures. (See Paragraph 14 of Handbook 1, Part VII.) Note: per Paragraph 15 of Handbook 1, Part VII, our local currency tracking "need not imply a direct role in project design implementation and evaluation."

Local Currency Accounts

Unlike DA, ESF and PL-480 funds, HG resources are raised in the private capital market at market interest rates. While the U.S. guaranty enhances the borrower's credit, U.S. government appropriated funds are not used to generate the local currency. The local currency involved would be owned by the host country, host country financial institution or private

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financial institution. Thus, the special accounts used to facilitate accountability in appropriated funds programs (see HBl, IV. B1, p. 5-6) are not required as a matter of general policy in the HG program.

In general, we do not encourage the establishment of local currency accounts upon the disbursement of HG dollars. This could impose on the RHUDO inappropriate monitoring responsibilities and tend to consume the time and attention that is more usefully devoted to the sectoral policy agenda. On occasion, however, we understand the establishment of such accounts may be necessary to provide the RHUDO with a needed level of control. As stated before our concern should be with the way the countries allocate their human and financial resources to achieve agreed upon equitable objectives, including interest rate policies in the housing sector which can attract sustainable levels of investment over time. If such allocation takes place, the local currency value of eligible expenditures should exceed the amount of HG disbursements by substantial margins over time.

Other guidance in HBl, IV.B, concerning joint programming of host country or privately owned local currency to achieve development objectives, is generally appropriate to HG sector programs. This is especially true in using the opportunity for joint programming to encourage the allocation of host country budget resources (including HG generated local currencies) for soundly conceived and effective policies and programs benefitting the below median-income target group.

Conclusion

We believe that policy, institutions and systems are where we should focus our time, and that the design and implementation of specific projects must be primarily a local responsibility. Nevertheless, given the wide disparity in levels of development of different client countries, the RHUDO will negotiate country-specific levels of project involvement. Ideally, AID would provide technical assistance and training to resolve identified constraints and monitor to assure the reliability of reports and certificates furnished by the participating institutions. At equilibrium, the number of "eligible" projects should be much greater than the AID inputs. A greater percentage of AID's time and energy should be devoted to analysis of sectoral constraints and pursuit of a process to engage the decisionmaking level in the host country to identify and solve problems. It is important to recognize that this is a process leading to change rather than a list of conditions to be met. It is also important to distinguish between those things that we know (e.g., the need to provide benefits to low-income families) and those we believe or suspect (e.g., that a particular institution should be structured in a particular way). Experience indicates the route finally chosen will often be different from that initially envisioned.

INDEX TO THIS HANDBOOK

This index is derived from the Master Index to the AID Handbook series issued under TM HI:2.

The underlying approach to the Master Index is one of unity, with the series of AID Handbooks considered as a single entity in which topics may appear in one, or more than one, of the component volumes.

Each entry in the Master Index that includes a reference to this Handbook is reproduced here in its entirety, thus providing both a guide to this Handbook and useful references to other Handbooks.

The formats for location citations are intended to match their appearance on the Handbook pages. Beyond the standardized Handbook number with its following colon, the citations used in the index reflect the different formats used in the individual Handbooks themselves.

UNDERSTANDING THE CITATIONS

The standard codes and messages that appear throughout the index, and their exceptions, are defined in this section. It is recommended that all users read this section before using the index.

LOCATION CITATIONS

The location citations are grouped in the following pattern:

Handbook number, colon, Chapter number, Paragraph letter, and further breakdown where needed.

The abbreviations such as App. for Appendix; Att. for Attachment; and Sup. for Supplement are also included in the citations wherever necessary.

Special cases and cross reference messages are described on the following page.

An example of the format used is as follows:

AID Financed Export Opportunities 1B:23A2a(3); 15:10C1a(1)

where the term "AID Financed Export Opportunities" is located in Handbook No. 1B, Chapter 23, Section A2a(3); and Handbook 15, Chapter 10, Section C1a(1).

SPECIAL CASES

Although the majority of the location citations follow the pattern described previously, there are these exceptions:

- o In some of the Handbooks, a majority of the text is reprinted from the Foreign Affairs Manual (FAM). All FAM citations are marked by a '#' sign before the section number.
- o A major portion of Handbook 14 is composed of the Federal Acquisition Regulation (FAR). All citations to this publication are cited as 14:FAR(section number).
- o Three Handbook supplements that are basically separate volumes are cited as, 1B: (Procurement Policy), 3A: and 3B: (Project Managers Guidebook).
- o In Handbooks which contain both Parts as well as Chapters, the Roman numeral Part number is separated from the Arabic Chapter number by a dash (-). For example: 21:I-2A8, a citation to Chapter 2 of Part I of Handbook 21.

CROSS REFERENCES

These references provide direction for selection of index terms:-

A 'see' reference points from an unused term to the one that is used.

'x' is the reverse of see (do not bother to look) and provides a guide to terms that are not used in the index.

'see also' points to terms that are closely related.

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