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A.I.D. Loan No. 524-W-029

US

ALLIANCE FOR PROGRESS

LOAN AGREEMENT

NICARAGUA: MANAGUA URBAN RECONSTRUCTION SECTOR

BETWEEN

THE REPUBLIC OF NICARAGUA

AND THE

UNITED STATES OF AMERICA

DATE: November 25, 1974

CONFORMED COPY

## ALLIANCE FOR PROGRESS

### LOAN AGREEMENT

LOAN AGREEMENT dated November 25, 1974, between the Republic of Nicaragua ("Borrower") and the United States of America, acting through the Agency for International Development ("A.I.D.").

#### ARTICLE 1

##### The Loan

SECTION 1.01. The Loan. A.I.D. agrees to lend the Borrower in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961 as amended, an amount not to exceed TWENTY MILLION UNITED STATES DOLLARS (US\$20,000,000), ("Loan") to assist the Borrower in carrying out the Program referred to in Section 1.02 ("Program"). The loan shall be used exclusively to finance United States Dollar costs of goods and services required for the Program ("Dollar Costs") and local currency costs of goods and services required for the Program ("Local Currency Costs"). The Loan Funds shall be apportioned as follows: (i) up to \$14,000,000 for an Immediate Action Reconstruction Fund ("Reconstruction Fund") for inter alia, the construction and reconstruction of transportation improvements, infrastructure and public facilities; (ii) up to \$3,200,000 for a Small Enterprise Reconstruction Credit Fund; and (iii) up to \$2,800,000 for Program Implementation Assistance. The aggregate amount of disbursements under this Loan is hereinafter referred to as "Principal".

SECTION 1.02. The Program. The Program shall consist of providing financing for the Government of Nicaragua's Immediate Action Reconstruction Program designed to continue the recovery from the earthquake and to develop a deconcentrated, efficient, seismically safer city of Managua. The Program is more fully described in Annex I, attached hereto, which Annex may be modified in writing by agreement of the parties hereto. The goods and services to be financed under the Loan shall be listed in the Implementation Letters referred to in Section 9.03 ("Implementation Letters").

## ARTICLE II

### Loan Terms

SECTION 2.01. Interest. The Borrower shall pay to A.I.D. interest which shall accrue at the rate of two percent (2%) per annum for ten years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance shall accrue from the date of each respective disbursement (as such date is defined in Section 7.04), and shall be computed on the basis of a 365-day year. Interest shall be payable semi-annually. The first payment of interest shall be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

SECTION 2.02. Repayment. The Borrower shall repay to A.I.D. the Principal within forty (40) years from the date of the first disbursement hereunder in sixty one (61) approximately equal semiannual installments of Principal and interest. The first installment of Principal shall be payable nine and one-half (9-1/2) years after the date on which the first interest payment is due in accordance with Section 2.01. A.I.D. shall provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement of the Loan.

SECTION 2.03. Application, Currency and Place of Payment. All payments of interest and Principal hereunder shall be made in United States Dollars and shall be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, all such payments shall be made to the Agency for International Development, Cashier, SER/FM, Washington, D.C., U.S.A., 20523, and shall be deemed made when received by that Office.

SECTION 2.04. Prepayment. Upon payment of all interest and refunds then due, the Borrower may prepay, without penalty, all or any part of the Principal. Any such prepayment shall be applied to the installments of Principal in the inverse order of their maturity.

SECTION 2.05. Renegotiation of the Terms of the Loan. In the light of the undertakings of the United States of America, and the other signatories of the Act

of Bogota and the Charter of Punta del Este to forge an Alliance for Progress, the Borrower agrees to negotiate with A.I.D., at such time or times as A.I.D. may request, an acceleration of the repayment of the Loan in the event that there is any significant improvement in the internal and external economic and financial position and prospects of the country of the Borrower taking into consideration the relative capital requirement of the Republic of Nicaragua and of the other signatories of the Act of Bogota and the Charter of Punta del Este.

### ARTICLE III

#### Conditions Precedent to Disbursement

SECTION 3.01. Conditions Precedent to Initial Disbursement. Prior to the first disbursement or to the issuance of the first Letter of Commitment under the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. An opinion of the Fiscal General del Estado of the Borrower or of other counsel acceptable to A.I.D. that this Agreement has been duly authorized, ratified if necessary and if not that ratification is not necessary, and executed on behalf of the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms.

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

authorized to represent Borrower in regard to the Loan.

c. Evidence of the establishment of an Inter-Agency Committee to coordinate activities between the Vice-Ministry of Urban Planning ("VMUP") and the Ministry of Finance's Office of Coordination and Implementation to promote the effective implementation of the Program.

SECTION 3.02. Conditions Precedent to Disbursement for Other than Program Implementation Assistance. Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for any purpose other than to finance Program Implementation Assistance, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. A finalized copy of Borrower's Immediate Action Reconstruction Program ("IARP") which shall include inter alia:

- i. the objectives of the IARP,
- ii. a description of the individual components,
- iii. an overall capital budget,
- iv. a time-phased implementation plan for carrying out all major planning and reconstruction activities included in the IARP, including a schedule for Borrower's counterpart contributions to the Program,

- v. the policies, guidelines, and procedures to govern the implementation,
- vi. provision for ensuring that the reconstruction of Managua promotes the interests of the lower income group, and
- vii. an evaluation plan.

b. Evidence of the establishment of the Reconstruction Fund into which Loan funds and Borrower's counterpart funds shall be deposited.

c. Evidence of the establishment of a Land Purchase Fund with adequate funds, policies, procedures and staffing to enable it to acquire on a timely basis the necessary land, easements, and other rights of way for carrying out the IARP.

d. Evidence that the Borrower has initiated an international advertising campaign to advise construction firms of the estimated volume of construction and reconstruction projects that may be implemented during the Immediate Action Reconstruction Program.

e. Evidence that the Borrower has made arrangements to initiate with its own funds the construction of its new office complex as a part of the 1975 Immediate Action Reconstruction Program.

**SECTION 3.03. Conditions Precedent to Disbursement for the Small Enterprises Reconstruction Credit Fund.** Prior to any disbursement or to the issuance of any Letter of Commitment under the Loan for the Small Enterprises Reconstruction Credit component

of the Loan, the Borrower shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

a. Evidence of the establishment of a revolving fund within the Central Bank's Special Development Fund ("FED") to provide credit and technical assistance for the expansion and promotion of small enterprises.

b. Evidence of the establishment of a special Implementation Unit within the FED that will devote its full time to the implementation of the Small Enterprises Reconstruction Credit component of the Loan.

c. A plan for giving preference in the extension of Loans and assistance to those individuals and small enterprises that lost their business as a result of the 1972 earthquake

**SECTION 3.04. Terminal Dates for Meeting Conditions Precedent to Disbursement.**

a. If all of the conditions specified in Section 2.01 shall not have been met within ninety (90) days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D. at its option may terminate this Agreement by giving written notice to the Borrower. Upon the giving of such notice, this Agreement and all obligations of the parties hereunder shall terminate.

b. If all of the conditions specified in Section 3.02 shall not have been met within one hundred and eighty (180) days from the date of this Agreement, or

such later date as A.I.D. may agree to in writing, A.I.D. at its option, may cancel the then undisbursed balance of the amount of the Loan and/or may terminate this Agreement by giving written notice to Borrower. In the event of a termination upon the giving of notice, the Borrower shall immediately repay the Principal then outstanding and shall pay any accrued interest and, upon receipt of such payments in full, this Agreement and all obligations of the parties hereunder shall terminate.

**SECTION 3.05. Notification of Meeting of Conditions Precedent to Disbursement.** A.I.D. shall notify the Borrower upon determination by A.I.D. that the conditions precedent to disbursement specified in Section 3.01, 3.02, and 3.03 have been met.

#### ARTICLE IV

##### General Covenants and Warranties

###### **SECTION 4.01. Execution of the Program**

a. The Borrower shall carry out the Program with due diligence and efficiency, and in conformity with sound engineering, construction, financial and administrative practices. In this connection, the Borrower shall at all times employ suitably qualified experienced consultants to be professionally responsible for the design and execution of the Program and suitably qualified and competent construction contractors to carry out the Program.

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

**SECTION 4.02. Funds and Other Resources to be Provided by the Borrower.**

The Borrower shall provide promptly as needed all funds, in addition to the Loan, and all other resources required for the punctual and effective carrying out of the Program.

**SECTION 4.03. Continuing Consultation.** The Borrower and A.I.D. shall cooperate fully to assure that the purpose of the Loan will be accomplished. To this end, the Borrower and A.I.D. shall from time to time, at the request of either party, exchange views through their representatives with regard to the progress of the Program, the performance by the Borrower of its obligations under this Agreement, the performance of the consultants, contractors and suppliers engaged on the Program and other matters related to the Program.

**SECTION 4.04. Management.** The Borrower shall provide qualified and experienced management for the Program acceptable to A.I.D., and it shall train such staff as may be appropriate for the maintenance and operation of the Program.

**SECTION 4.05. Operation and Maintenance.** The Borrower shall operate, maintain, and repair the Program in conformity with sound engineering, financial

and administrative practices and in such manner as to insure the continuous and successful achievement of the purposes of the Program.

**SECTION 4.06. Taxation.** This Agreement, the Loan, and any evidence of indebtedness issued in connection herewith shall be free from and the Principal and interest shall be paid without deduction for and free from, any taxation or fees imposed under the laws in effect within the country of the Borrower. To the extent that (a) any contractor, including any consulting firm, any personnel of such contractor financed hereunder, and any property or transactions relating to such contracts and (b) any commodity procurement transaction financed hereunder, are not exempt from identifiable taxes, tariffs, duties, and other levies imposed under laws in effect in the country of the Borrower, the Borrower shall, as and to the extent prescribed in and pursuant to Implementation Letters, pay or reimburse the same under Section 4.02 of this Agreement with funds other than those provided under the Loan.

**SECTION 4.07. Utilization of Goods and Services.**

a. Goods and services financed under the Loan shall be used exclusively for the Program, except as A.I.D. may otherwise agree in writing. Upon completion of the Program, or at such other time as goods financed under the Loan can no longer usefully be employed for the Program, the Borrower may use or dispose of such goods in such manner as A.I.D. may agree to in writing prior to such use or disposition.

b. Except as A.I.D. may otherwise agree in writing, no goods or services financed under the Loan shall be used to promote or assist any foreign aid project or activity associated with or financed by any country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use

SECTION 4.08. Disclosure of Material Facts and Circumstances. The Borrower represents and warrants that all facts and circumstances that it has disclosed or caused to be disclosed to A.I.D. in the course of obtaining the Loan are accurate and complete, and that it has disclosed to A.I.D., accurately and completely, all facts and circumstances that might materially affect the Program and the discharge of its obligation under this Agreement. The Borrower shall promptly inform A.I.D. of any facts and circumstances that may hereafter arise that might materially affect, or that it is reasonable to believe might materially affect the Program or the discharge of the Borrower's obligations under this Agreement.

SECTION 4.09. Commissions, Fees, and Other Payments.

a. Borrower warrants and covenants that in connection with obtaining the Loan, or taking any action under or with respect to this Agreement, it has not paid, and will not pay or agree to pay, nor to the best of its knowledge has there been paid nor will there be paid or agreed to be paid by any other person or entity commissions, fees, or other payments of any kind, except as regular compensation to the

Borrower's full time officers and employees or as compensation for bona fide professional, technical or comparable services. The Borrower shall promptly report to A.I.D. any payment or agreement to pay for such bona fide professional, technical or comparable services to which it is a party or of which it has knowledge (indicating whether such payment has been made or is to be made on a contingent basis), and if the amount of any such payment is deemed unreasonable by A.I.D., the same shall be adjusted in a manner satisfactory to A.I.D.

b. The Borrower warrants and covenants that no payments have been or will be received by the Borrower, or any official of the Borrower, in connection with the procurement of goods and services financed hereunder, except fees, taxes, or similar payments legally established in the country of the Borrower.

SECTION 4.10. Maintenance and Audit Records. The Borrower shall maintain or cause to be maintained, in accordance with sound accounting principles and practices consistently applied, books and records relating both to the Program and to this Agreement. Such books and records shall, without limitation, be adequate to show:

a. The receipt and use made of goods and services acquired with funds disbursed pursuant to this Agreement;

b. The nature and extent of solicitations of prospective suppliers of goods and services acquired;

- c. The basis of the award of contracts and orders to successful bidders; and
- d. The progress of the Program.

Such books and records shall be regularly audited, in accordance with sound auditing standards, for such period and at such intervals as A.I.D. may require, and shall be maintained for five years after the date of the last disbursement by A.I.D. or until all sums due to A.I.D. under this Agreement have been paid, whichever date shall first occur.

SECTION 4.11. Reports. The Borrower shall furnish to A.I.D. such information and reports relating to the Loan and to the Program as A.I.D. may request.

SECTION 4.12. Inspections. The authorized representatives of A.I.D. shall have the right at all reasonable times to inspect the Program, the utilization of all goods and services financed under the Loan, and the Borrower's books, records, and other documents relating to the Program and the Loan. The Borrower shall cooperate with A.I.D. to facilitate such inspections and shall permit representatives of A.I.D. to visit any part of the country of the Borrower for any purpose relating to the Loan.

SECTION 4.13. Investment Guaranty Project Approval by Borrower. The construction work to be financed under this Agreement is hereby stated to be a project approved by the Government of Nicaragua pursuant to the agreement between the

Government of Nicaragua and the Government of the United States of America on the subject of investment guaranties, and no further approval by the Government of Nicaragua shall be required to permit the United States to issue investment guaranties under that agreement covering contractor's investment in that project.

## ARTICLE V

### Special Covenants and Warranties

SECTION 5.01. Regulation of Building Permits. The antiseismic provisions of the Building Code shall be faithfully applied by the Vice-Ministry of Urban Planning in the issuing of all building permits.

SECTION 5.02. Program Evaluation. During the course of the Program, and at least once a year, Borrower shall conduct with A.I.D. periodic evaluations of the progress of the Program, including Borrower's adherence to the schedule for Borrower counterpart contribution to the Program as outlined in the time-phased implementation plan.

SECTION 5.03. Title to Land. Clear legal title to all land, easements, and rights of way necessary for construction or reconstruction projects to be financed under the Loan shall be acquired prior to the disbursement of Loan funds for said projects.

SECTION 5.04. Small Enterprises Reconstruction Credit Fund. All repayments of Principal and all interest received from credit extended under the Small Enterprises

Credit Fund shall be maintained in said fund and utilized throughout the repayment period of the Loan (or such shorter period as A.I.D. may agree to in writing) for activities associated with promoting the growth of small enterprises in the Managua metropolitan area.

SECTION 5.05. Access to Records for Land Purchase Fund. The details of all transactions undertaken by the Land Purchase Fund for the purchase and sale of land, easements and other rights of way including the prices paid or received therefor shall be openly available and accessible to the public.

SECTION 5.06. Reconstruction Planning of Managua. Borrower shall give due consideration to undertaking or enacting all measures deemed necessary to discourage the random and unplanned reconstruction of the urban core of Managua destroyed in the 1972 earthquake.

SECTION 5.07. Development of Transportation System. Borrower shall give due consideration to the adoption of an overall transportation system designed to promote and complement the overall reconstruction of a deconcentrated and multi-centered Managua.

SECTION 5.08. Immediate Action Reconstruction Fund. Except as A.I.D. may otherwise agree in writing, Loan funds for the Immediate Action Reconstruction Fund shall be used only to finance projects consisting of the construction or recon-

struction (including related architectural and engineering services) of transportation improvements, infrastructure, and public facilities. Loan funds shall be limited to financing projects within the Managua area, in the area generally bounded by the Inner By-Pass Road and the proposed Outer Beltway Highway, in accordance with the overall strategy of creating a new deconcentrated Managua.

SECTION 5.09. Borrower Counterpart Contribution. Over the course of the Program Borrower shall contribute the equivalent of \$40,000,000 as a counterpart contribution.

SECTION 5.10. Program Coordination. Borrower will coordinate the Program with the overall efforts and projects of other international lenders participating in the Reconstruction of Managua.

## ARTICLE VI

### Procurement

SECTION 6.01. Procurement from Selected Free World Countries. Except as A.I.D. may otherwise agree in writing, and except as provided in subsection 6.09 (c) with respect to marine insurance, disbursements made pursuant to Section 7.01 shall be used exclusively to finance the procurement for the Program of goods and services having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into

for such goods and services, except for the countries of Central America, ("Selected Free World Goods and Services"). All ocean shipping financed under the Loan shall have both its source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time of shipment.

SECTION 6.02. Procurement from Central America. Disbursements made pursuant to Section 7.02 shall be used exclusively to finance the procurement for the Program of goods and services having both their source and origin in the countries of Central America.

SECTION 6.03. Eligibility Date. Except as A.I.D. may otherwise agree in writing, no goods or services may be financed under the Loan which were procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement.

SECTION 6.04. Goods and Services not Financed Under the Loan. Goods and Services procured for the Program, but not financed under the Loan, shall have their source and origin in countries included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time orders are placed for such goods and services.

SECTION 6.05. Implementation of Procurement Requirements. The definitions applicable to the eligibility requirements of Sections 6.01, 6.02 and 6.04 will be set forth in detail in Implementation Letters.

**SECTION 6.06. Plans, Specifications and Contracts.**

a. Except as A.I.D. may otherwise agree in writing, the Borrower shall furnish to A.I.D. promptly upon preparation, all plans, specifications, construction schedules, bid documents, and contracts relating to the Program, and any other modifications therein, whether or not the goods and services to which they relate are financed under the Loan.

b. Except as A.I.D. may otherwise agree in writing, all the plans, specifications, and construction schedules furnished pursuant to subsection (a) above shall be approved by A.I.D. in writing.

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

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

- i. Contracts for engineering and other professional services;
- ii. Contracts for construction services;
- iii. Contracts for such other services as A.I.D. may specify, and
- iv. Contracts for such equipment and materials as A.I.D. may specify.

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

e) Consulting firms used by the Borrower for the Program but not financed under the Loan, the scope of their services and such of their personnel assigned to the Program as A.I.D. may specify, and construction contractors used by the Borrower for the Program but not financed under the Loan shall be acceptable to A.I.D.

SECTION 6.07. Reasonable Price. No more than reasonable prices shall be paid for any goods or services financed, in whole or in part, under the Loan, as more fully described in Implementation Letters. Such items shall be procured on a fair and, except for professional services, on a competitive basis in accordance with procedures therefor prescribed in Implementation Letters.

SECTION 6.08. Employment of Non-Selected Free World Nationals Under Construction Contracts. The employment of personnel to perform services under any construction contract financed under the Loan shall be subject to certain requirements with respect to nationals of countries other than Nicaragua and countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time the construction contract is entered into. These requirements are prescribed in Implementation Letters.

**SECTION 6.09. Shipping and Insurance.**

a. Selected Free World Goods financed under the Loan shall be transported to Nicaragua on flag carriers of any country included in Code 935 of A.I.D. Geographic Code Book as in effect at the time of shipment.

b. Unless A.I.D. shall determine that privately-owned United States flag commercial vessels are not available at fair and reasonable rates for such vessels,

i. At least fifty (50%) percent of the gross tonnage of Selected Free World Goods financed under the Loan and transported on ocean vessels from United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately-owned United States-flag commercial vessels: and at least fifty (50%) percent of the gross freight revenue generated by ocean shipments of Selected Free World Goods financed under the Loan and transported on dry cargo liners from the United States ports shall be paid to or for the benefit of privately-owned United States commercial vessels, and,

ii. At least fifty (50%) percent of the gross tonnage of all Selected Free World Goods financed under the Loan and transported on

ocean vessels from non-United States ports (computed separately for dry bulk carriers, dry cargo liners and tankers) shall be transported on privately-owned United States-flag commercial vessels and at least fifty (50%) percent of the gross freight revenue generated by ocean shipments of Selected Free World Goods financed under the Loan and transported on dry cargo liners from non-United States ports shall be paid to or for the benefit of privately-owned United States-flag commercial vessels.

c. Marine insurance on Selected Free World Goods may be financed under the Loan with disbursements made pursuant to Sections 7.01 or 7.02, provided (i) such insurance is placed at the lowest available competitive rate in Nicaragua or in a country included in the Code 941 of the A.I.D. Geographic Code Book as in effect at the time of placement, and (ii) claims thereunder are payable in freely convertible currency. If in connection with the placement of marine insurance on shipments financed under the United States legislation authorizing assistance to other nations, the country of the Borrower, by statute, decree, rule or regulation, favors any marine insurance company of any country over any marine insurance company authorized to do business in any state of the United States of America, Selected Free World Goods financed under the Loan shall during the continuance of such discrimination be insured

against marine risk in the United States of America with a company or companies authorized to do a marine insurance business in any state of the United States of America.

d. The Borrower shall insure, or cause to be insured, all Selected Free World Goods financed under the Loan against risks incident to their transit to the point of their use in the Program. Such insurance shall be issued upon terms and conditions consistent with sound commercial practice, shall insure the full value of the goods, and shall be payable in the currency in which the goods were financed or in any freely convertible currency. Any indemnization received by the Borrower under such insurance shall be used to replace or repair any material damage or any loss of the goods insured or shall be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacements shall have their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts are entered into for such replacements, and shall be otherwise subject to the provisions of this Agreement.

SECTION 6.10. Notification to Potential Suppliers. In order that all United States firms shall have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower shall furnish to A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Implementation Letters.

SECTION 6.11. United States Government-Owned Excess Property. The Borrower shall utilize, with respect to goods financed under the Loan to which the Borrower takes title at the time of procurement, such reconditioned United States Government-Owned Excess Property as may be consistent with the requirements of the Program and as may be available within a reasonable period of time. The Borrower shall seek assistance from A.I.D. and A.I.D. will assist the Borrower in ascertaining the availability of and in obtaining such Excess Property. A.I.D. will make arrangements for any necessary inspection of such property by the Borrower or its representative. The cost of inspection and of acquisition, and all charges incident to the transfer to the Borrower of such Excess Property, may be financed under the Loan. Prior to the procurement of any goods, other than excess property, financed under the Loan and after having sought such A.I.D. assistance, the Borrower shall indicate to A.I.D. in writing, on the basis of information then available to it, either that such goods cannot be made available from reconditioned United States Government-Owned Excess Property on a timely basis or that the goods that can be made available are not technically suitable for the use in the Program.

SECTION 6.12. Information and Marking. Borrower shall give publicity to the Loan and the Program as a program of United States aid in furtherance of the Alliance for Progress, identify the Program sites, and mark goods financed under the Loan, as prescribed in Implementation Letters.

ARTICLE VII

Disbursements

SECTION 7.01. Disbursement for United States Dollar Costs - Letters of Commitment to United States Banks. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request A.I.D. to issue Letters of Commitment for specified amounts to one or more United States banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, through the use of Letters of Credit or otherwise, for Dollar Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement. Payment by a bank to a contractor or supplier will be made by the bank upon presentation of such supporting documentation as A.I.D. may prescribe in Letters of Commitment and Implementation Letters. Banking charges incurred in connection with Letters of Commitment and Letters of Credit shall be for the account of the Borrower and may be financed under the Loan.

SECTION 7.02. Disbursements for Local Currency Costs. Upon satisfaction of conditions precedent, the Borrower may, from time to time, request disbursement by A.I.D. of local currency for Local Currency Costs of goods and services procured for the Program in accordance with the terms and conditions of this Agreement, by submitting to A.I.D. such supporting documentation as A.I.D. may prescribe in Imple-

mentation Letters. A.I.D. shall make such disbursements from local currency of the country of Borrower owned by the United States Government and obtained by A.I.D. with United States Dollars. The United States dollar equivalent of the local currency made available hereunder will be the amount of United States Dollars required by A.I.D. to obtain the currency of the country of Borrower.

SECTION 7.03. Other Forms of Disbursement. Disbursements of the Loan may also be made through such other means as the Borrower and A.I.D. may agree to in writing.

SECTION 7.04. Date of Disbursement. Disbursements by A.I.D. shall be deemed to occur, (a) in the case of disbursements pursuant to Section 7.01, on the date on which A.I.D. makes a disbursement to the Borrower, to its designee, or to a banking institution pursuant to a Letter of Commitment, and (b) in the case of disbursements pursuant to Section 7.02, on the date on which A.I.D. disburses the local currency to the Borrower or its designee.

SECTION 7.05. Terminal Date for Disbursement. Except as A.I.D. may otherwise agree in writing, no Letter of Commitment or other commitment documents which may be called for by another form of disbursement under Section 7.03, or amendment thereto shall be issued in response to requests received by A.I.D. after August 30, 1977, and no disbursement shall be made against documentation received by A.I.D.

or any bank described in Section 7.01 after December 31, 1977 A.I.D. at its option, may at any time or times, after December 31, 1977, reduce the Loan by all or any part thereof for which documentation was not received by such date.

## ARTICLE VIII

### Cancellation and Suspension

SECTION 8.01. Cancellation by the Borrower. The Borrower may, with the prior written consent of A.I.D., by written notice to A.I.D. cancel any part of the Loan (i) which, prior to the giving of such notice A.I.D. has not disbursed or committed itself to disburse, or (ii) which has not then been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit.

SECTION 8.02. Events of Default; Acceleration. If any one or more of the following events ("Events of Default") shall occur:

a. The Borrower shall have failed to pay when due any interest or installment of Principal required under this Agreement

b. The Borrower shall have failed to comply with any other provision of this Agreement, including, but without limitation, the obligation to carry out the Program with due diligence and efficiency;

c. The Borrower shall have failed to pay when due any interest or any installment of Principal or any other payment required under any other loan agreement, any guaranty agreement, or any other agreement between the Borrower or any of its agencies and A.I.D. or any of its predecessor agencies, then A.I.D. may, at its option, give to the Borrower notice that all or any part of the unrepaid Principal shall be due and payable sixty (60) days thereafter, and unless the Event of Default is cured within such sixty (60) days:

- i. Such unrepaid Principal and any accrued interest hereunder shall be due and payable immediately; and,
- ii. The amount of any further disbursements made under then outstanding irrevocable Letters of Credit or otherwise shall become due and payable as soon as made.

SECTION 8.03. Suspension of Disbursement. In the event that at any time:

- a. An Event of Default has occurred;
- b. An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or,
- c. Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.

Then A.I.D. may, at its option:

- i. Suspend or cancel outstanding commitment documents to the extent that they have not been utilized through the issuance of irrevocable Letters of Credit or through bank payments made other than under irrevocable Letters of Credit, in which event A.I.D. shall give notice to Borrower promptly thereafter;
- ii. Decline to make disbursements other than under outstanding commitment documents;
- iii. Decline to issue additional commitment documents;
- iv. At A.I.D.'s expense, direct that title to goods financed under the Loan shall be transferred to A.I.D. if the goods are from a source outside the country of the Borrower, are in a deliverable state and have not been offloaded in ports of entry of the country of the Borrower. Any disbursement made or to be made under the Loan with respect to such transferred goods shall be deducted from Principal.

SECTION 8.04. Cancellation by A.I.D. Following any suspension of disbursements pursuant to Section 8.03, if the cause or causes for such suspension of disbursements shall not have been eliminated or corrected within sixty (60) days from the date of such suspension, A.I.D. may, at its option, at any time or times thereafter,

cancel all or any part of the Loan that is not then either disbursed or subject to irrevocable Letters of Credit.

SECTION 8.05. Continued Effectiveness of Agreement. Notwithstanding any cancellation, suspension of disbursement, or acceleration repayment, the provisions of this Agreement shall continue in full force and effect until the payment in full of all Principal and any accrued interest hereunder.

SECTION 8.06. Refunds.

a. In the case of any disbursement not supported by valid documentation in accordance with the terms of this Agreement, or of any disbursement not made or used in accordance with the terms of this Agreement, A.I.D., notwithstanding the availability or exercise of any of the other remedies provided for under this Agreement, may require the Borrower to refund such amount in United States dollars to A.I.D. within thirty (30) days after receipt of a request therefor. Such amount shall be made available first for the cost of goods and services procured for the Program hereunder, to the extent justified; the remainder if any, shall be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder. Notwithstanding any other provision in this Agreement, A.I.D.'s right to require a refund with respect to any disbursement under the Loan shall continue for five years following the date of such disbursement.

b. In the event that A.I.D. receives a refund from any contractor, supplier or banking institution, or from any other third party connected with the Loan, with respect to goods or services financed under the Loan, and such refund relates to an unreasonable price for goods and services, or to goods that did not conform to specifications, or to services that were inadequate, A.I.D. shall first make such refund available for the cost of goods and services procured for the Program hereunder, to the extent justified, the remainder to be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan shall be reduced by the amount of such remainder.

SECTION 8.07. Expenses of Collection. All reasonable costs incurred by A.I.D., other than salaries of its staff, in connection with the collection of any refund or in connection with amounts due A.I.D. by reason of the occurrence of any of the events specified in Section 8.02 may be charged to the Borrower and reimbursed to A.I.D. in such manner as A.I.D. may specify.

SECTION 8.08. Nonwaiver of Remedies. No delay in exercising or omission to exercise any right, power, or remedy accruing to A.I.D. under this Agreement shall be construed as a waiver of any of such rights, powers or remedies.

ARTICLE IX

Miscellaneous

SECTION 9.01. Communications. Any notice, request, document, or other communication given or made, or sent by the Borrower or A.I.D. pursuant to this Agreement shall be in writing or by telegram, cable or radiogram and shall be deemed to have been duly given, made, or sent to the party to which it is addressed when it shall be delivered to such party by hand or by mail, telegrams, cables or radiograms at the following address:

**TO BORROWER:**

**Mail Address:** Ministerio de Hacienda y Crédito Público  
Palacio Nacional  
Managua, Nicaragua

**Cable Address:**

**TO A.I.D.:**

**Mail Address:** United States A.I.D. Mission to Nicaragua  
c/o American Embassy  
Managua, Nicaragua

**Cable Address:** USAID  
AmEmbassy/Managua, Nicaragua

Other addresses may be substituted for the above upon the giving of notice. All notices, requests, communications, and documents submitted to A.I.D. hereunder shall

be in English, except as A.I.D. may otherwise agree in writing.

SECTION 9.02. Representatives. For all purposes relative to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be represented by the individual holding or acting in the office of Director, USAID/Nicaragua. Such individuals shall have the authority to designate additional representatives by written notice. In the event of any replacement or other designation of a representative hereunder, Borrower shall submit a statement of the representative's name and specimen signature in form and substance satisfactory to A.I.D. Until receipt by A.I.D. of written notice of revocation of the authority of any of the duly authorized representatives of the Borrower designated pursuant to this Section, it may accept the signature of any such representative or representatives on any instrument as conclusive evidence that any action effected by such instrument is duly authorized.

SECTION 9.03. Implementation Letters. A.I.D. shall from time to time issue Implementation Letters that will prescribe the procedures applicable hereunder in connection with the implementation of this Agreement.

SECTION 9.04. Promissory Notes. At such time or times as A.I.D. may request, the Borrower shall issue promissory notes or such other evidences of indebtedness with respect to the Loan, in such form, containing such terms and supported

by such legal opinions as A.I.D. may reasonable request.

SECTION 9.05. Termination Upon Full Payment. Upon payment in full of the Principal and of any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under this Loan Agreement shall terminate.

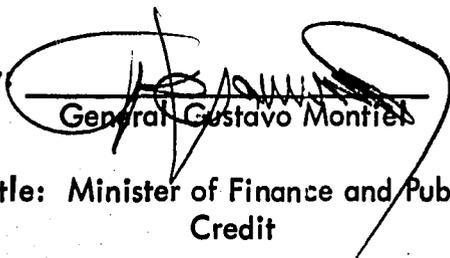
SECTION 9.06. Controlling Language. In case of ambiguity or conflict between the English and Spanish versions of this Loan Agreement, the English version shall control.

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

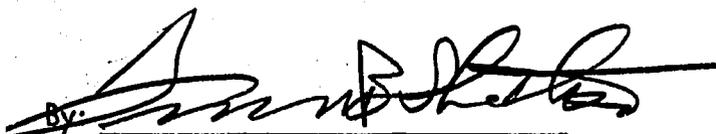
THE REPUBLIC OF NICARAGUA

By:   
Anastasio Somoza Debayle

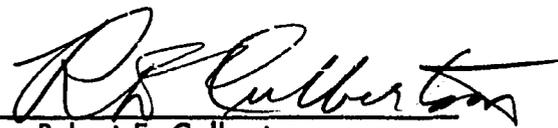
Title: President of the National  
Emergency Committee.

By:   
General Gustavo Montiel  
Title: Minister of Finance and Public  
Credit

THE UNITED STATES OF AMERICA

By:   
Turner B. Shelton

Title: U.S. Ambassador to Nicaragua

By:   
Robert E. Culbertson

Title: Director, USAID Mission to  
Nicaragua

## ANNEX I

### PROGRAM DESCRIPTION

#### OBJECTIVES

The A.I.D. Loan funds provided by this Agreement together with a Government of Nicaragua contribution of the equivalent of US\$40.0 million will be combined to assist the people of Nicaragua continue their recovery from the disastrous earthquake of 1972 and rebuild a more efficient, modern and safer new Managua through the financing of an Immediate Action Reconstruction Program. This Program will be the first planned stage of the reconstruction of Managua and will be implemented generally during the period 1975-78. A.I.D. Loan and/or counterpart funds for this Program will be provided for financing the following:

1. The establishment and operation of an Immediate Action Reconstruction Fund for the construction of a series of high priority public sector activities such as roads, infrastructure and public facilities that will facilitate the reconstruction of Managua in a planned deconcentrated pattern -- lowering density and spreading out the city over a wider geographic area so as to promote the rebuilding of a more efficient and multi-centered new Managua. In order to promote this policy of deconcentrating the urban development of Managua, it is agreed that these above construction activities will be located in the area

generally bounded by the Inner By-Pass Road and the proposed Outer Beltway Highway. In addition, resources from this Fund may be provided for the development of open and green areas throughout Managua and for a special project that will make expanded infrastructure available to the lowest income groups.

2. The establishment and operation of a Land Purchase Fund for acquiring on a timely basis the land and rights-of-way for carrying out the Immediate Action Reconstruction Program. It is agreed that financing for this Fund will be provided with Government of Nicaragua counterpart contributions to the Program.
3. The establishment and operation of a Program Implementation Assistance Fund to provide resources for the following: assistance to executing agencies for the development, supervision and implementation of reconstruction activities; implementation of specialized studies and surveys for reconstruction planning and the completion of an international design competition for Managua's destroyed urban areas; specialized urban and national reconstruction planning, and such other activities that may be necessary for assisting the implementation of the Immediate Action Reconstruction Program.
4. The establishment and operation of a Small Enterprises Reconstruction Fund that will provide credits and technical assistance for the reconstruction or expansion of the small enterprises sector of the Managuan economy. It is agreed that this Fund will promote the location of smaller enterprises in a deconcentrated urban

pattern and/or direct resources to those smaller enterprises that can contribute to breaking critical bottlenecks for the reconstruction of Managua.

#### POLICY FRAMEWORK FOR THE IMMEDIATE ACTION RECONSTRUCTION PROGRAM

It is agreed that the Immediate Action Reconstruction Program will be guided by the policy framework contained in the Loan Application of May 24, 1974, presented to the United States Government by the President of the Nicaraguan National Emergency Committee. These planning guidelines are based upon investigations that were undertaken in 1973-74 by the Government of Nicaragua through the Vice Ministry of Urban Planning and its urban planning consultants.

As agreed, the major Government of Nicaragua policy for the Immediate Action Reconstruction Program will be the deconcentration of Managua's urban development, the rebuilding at lower densities, under strict seismic controls, and the location of public and private sector facilities and services closer to where the population of Managua is living so as to create a more modern and efficient city and better protect these facilities and services from the disruptive effects of future earthquakes. A deconcentrated pattern of activities within the Managua region will be encouraged, by placing emphasis upon the financing of new investments, public and private, and guiding these investments into the periphery of Managua. This will involve reinforcing and properly structuring natural trends in the city's development, and to the extent possible, preventing uncontrolled and unplanned investments.

The Immediate Action Reconstruction Program will aim to create magnets and "poles of attraction" in the periphery and former suburban areas through the construction of roads, infrastructure and public facilities in the areas generally located between the Inner By-Pass Road and the Outer Beltway Highway. To the extent possible, investments will be grouped in clusters or poles of development to maximize their overall impact and further develop the framework for a multi-centered new city. Program emphasis will be placed on expanding or upgrading existing commercial, industrial and residential areas in the periphery and former suburban areas that can attract additional private sector investment so as to "tilt" Managua's urban development into a permanently deconcentrated pattern.

The Immediate Action Reconstruction Program will therefore be controlled by long-term policies, the basis of which will be the creation of adequate urban planning and investment incentives and/or restrictions. These policies will continue to be refined and expanded in greater detail throughout the reconstruction so as to insure that the rebuilding of Managua takes place in an orderly and structured manner; and will be based on the following principles:

1. Managua will be rebuilt in the same general area as the old city under strict building regulations to insure anti-seismic construction and adequate zoning requirements to insure appropriate land use.
2. The reconstruction and development of Managua will take place in such a manner as to spread the pre-earthquake urban area of Managua out over a wider area, in

a deconcentrated and lower density pattern, thus creating an urban design for the new city that can better and more safely withstand the disruptive effects of future earthquakes.

3. The development of the Managua urban area will take the form of growth in concentric rings extending out from the destroyed urban core of Managua to just beyond the Outer Beltway Highway, with major emphasis directed into the southeastern area. It is also agreed that major emphasis during the Immediate Action Reconstruction Program will be focused on directing physical investments into those rings generally located between the Inner By-Pass Road and the Outer Beltway Highway, while detailed planning and special studies are implemented for those areas generally located within the Inner By-Pass Road.
4. The reconstruction effort will promote the development of Managua as a multi-centered city with several different service and employment centers rather than containing only one major center.
5. Managua will be designed to handle population growth to approximately 600,000 by 1980, and 700,000 by 1985; and spread out over an area of approximately eighty square kilometers.
6. Residential areas in complete neighborhood units (urban cells) containing schools, health centers, parks, and small commercial areas will be upgraded or developed

in close proximity to major commercial and industrial employment centers.

7. Significant attention throughout the reconstruction will be directed to the problems of the less privileged majority of the population, since they represent those most severely affected by the earthquake.
8. The destroyed city center of Managua will be rebuilt generally as a non-residential area of civic buildings, parks and open areas over fault lines, museums, government offices and some commercial activities. It is expected that major emphasis during the Immediate Action Reconstruction Program will be directed at developing detailed plans for eventual rebuilding in this area during later stages of the reconstruction.
9. The active participation of the Nicaraguan private sector will be encouraged throughout the planning and implementation of the reconstruction effort.
10. The reconstruction of Managua will be undertaken within a national development framework so as to permit the implementation of programs for both Nicaraguan development and Managua reconstruction.
11. The Vice Ministry of Urban Planning will finalize its detailed Immediate Action Reconstruction Program and this Program will serve as the basic guide for the implementation of all reconstruction related activities in Managua during the period 1975-78.

## PROGRAM COMPONENTS

The Immediate Action Reconstruction Program being assisted by Government of Nicaragua resources and the A.I.D. Loan will be financed through four Funds as described below. Each Fund will provide financing for individual activities that will further the reconstruction and deconcentrated urban development of Managua.

### 1. IMMEDIATE ACTION RECONSTRUCTION FUND:

During a four year period (1975-78), the Government of Nicaragua agrees to provide the Immediate Action Reconstruction Fund with at least the equivalent of \$25.0 million and the A.I.D. Loan will provide in a three year period (1975-77) up to \$14.0 million. Resources from this Fund may be utilized for financing activities within the following components of the Program:

- (a) Construction of Transportation Improvements: Funding may be provided for individual road and highway construction activities that will develop the basic transportation network generally between the Inner By-Pass Road and the Outer Beltway Highway, thus promoting the overall deconcentration of Managua.
- (b) Construction and Expansion of Public Infrastructure: This component will provide funding for the construction of infrastructure improvements such as street paving, expansion of water and sewage lines, street lights, telephone service, lining of drain channels, and other public infra-

structure activities that will promote the continuation of Managua's deconcentrated urban development. To the extent possible, these infrastructure investments will be grouped in clusters or poles of development so as to further develop and/or upgrade industrial, commercial and low income residential areas located in the current periphery of Managua. Priorities will be given to those activities that will attract additional public and private sector investments.

(c) Making Expanded Infrastructure Available to the Lowest Income Groups:

Funding may be provided for an activity that will assist the lowest income groups take full advantage of the new infrastructure that will be developed or expanded in the periphery of Managua, especially in those lower income residential areas. Resources may be provided for a credit and technical assistance activity to assist low income citizens hook-up to new water, sewer and electrical facilities as well as borrow to improve their homes. Technical assistance for this credit activity and for developing community based Home Improvement Associations and Cooperatives will also be eligible for financing.

(d) Reconstruction and Expansion of Public Facilities: Funding will be provided for the rebuilding and expansion of public facilities destroyed or disrupted by the earthquake, generally between the Inner By-Pass

Road and the Outer Beltway Highway, so as to promote the overall deconcentrated growth of Managua. Eligible facilities for financing will include among others, public markets, bus terminals, community bus stations, health and employment centers, fire stations, post offices, community centers, libraries and government office buildings. It is expected that the reconstruction and expansion of public facilities will be undertaken in coordination with components (a) and (b) described above.

- (e) Development of Open and Green Areas: Urban planning and analysis since the earthquake have emphasized the importance of initiating a program for developing open and green areas in Managua, particularly along the faults and the graben between Tiscapa and Chico Pelon. Financing for the development of these open and green areas may be provided from the Immediate Action Reconstruction Fund. It is agreed that these activities will be financed exclusively with Government of Nicaragua funds.

## 2. LAND PURCHASE FUND

The implementation of the Immediate Action Reconstruction Program will require the purchase by the Government of Nicaragua of land in Managua's periphery and suburban areas and along fault corridors and in other dangerous seismic areas.

Rights-of-way for new roads and streets must be purchased, sites for infrastructure and public facility development are necessary, and areas to be converted into open and green areas must be obtained. It is therefore agreed that the Government of Nicaragua will establish a Land Purchase Fund, capitalized with Government resources at approximately US\$15.0 million, for the purchase and/or transfer of land required for the Immediate Action Reconstruction Program. An experienced staff will be provided by the Government to administer this Fund along with policies and procedures to assure the most rapid purchase of all land required for the Program. It is agreed that this Land Purchase Fund may also be utilized as the institutional structure for all land purchases and transfers required for the reconstruction of Managua.

### 3. PROGRAM IMPLEMENTATION ASSISTANCE FUND

This Fund will provide resources for directly assisting the implementation of the Immediate Action Reconstruction Program and for providing for urban and national reconstruction planning. Sources of this Fund will consist of up to \$2.8 million from the A.I.D. Loan. Furthermore, it is agreed that any Government of Nicaragua counterpart funds required for the implementation of the Program Components shown below may be financed from Government resources allocated to the Immediate Action Reconstruction Fund. The following components will be eligible for financing from the Program Implementation Assistance Fund:

- (a) Assistance to Executing Agencies for the Development, Supervision and Implementation of Reconstruction Activities: Funding will be provided to expand and supplement existing capacity in various Government of Nicaragua Executing Agencies for preparing detailed plans, specifications and bid documents for reconstruction activities and to carry out inspection and supervision of these activities. Funds will be used for financing consulting contracts with local and foreign A/E firms and/or with individual consultants for the preparation or supervision of particular activities to be undertaken. AID Loan funding for this component of the Program may be provided from Loan resources allocated to the Immediate Action Reconstruction Fund.
- (b) Assistance to the Coordination and Implementation Office of the Ministry of Finance: Up to \$200,000 of the A.I.D. Loan is provided to assist this Office strengthen its capacity to supervise, control and coordinate the overall activities to be financed by the Immediate Action Reconstruction Program.
- (c) Assistance for Reconstruction Planning at the National Level: This component of the Program will provide funding to assist the Government to improve its overall national financial and reconstruction planning and management efforts through the provision of coordinated technical assistance for the Ministry of Finance, the Ministry of the National District,

the Vice Ministry of Urban Planning and other entities of the Government working in reconstruction related areas. It is expected that this assistance will be provided by the Instituto Centroamericano de Administracion de Empresas (INCAE) through a Government of Nicaragua/INCAE Contract. Up to \$500,000 of the A.I.D. Loan is allocated for partially funding this contract. It is also agreed that the Government of Nicaragua will provide an additional \$500,000 for this contract.

- (d) Contingency Assistance: Up to \$100,000 of the A.I.D. Loan is provided for unexpected requirements that may develop during the implementation of the Immediate Action Reconstruction Program. These funds will be utilized for purposes mutually agreed to by the Government of Nicaragua and A.I.D.
- (e) Special Studies and Surveys: Up to \$2.0 million of the A.I.D. Loan will be available for financing the costs of contracting foreign and/or local consulting firms for carrying out special reconstruction related studies and surveys. The Vice Ministry of Urban Planning will establish an overall plan for these studies as part of the Immediate Action Program and will develop a detailed scope of work for each study or survey. Funding may be provided for the following types of studies and surveys:

survey and inventory of all existing structures in Managua, geophysical studies on Managua fault and soil conditions, special studies required for planning the reconstruction of Managua, urban development studies for Managua's satellite cities, design competitions for developing plans for the reconstruction of the destroyed areas of Managua, and any other reconstruction related studies that are mutually agreed to by the Government of Nicaragua and A.I.D.

#### 4. SMALL ENTERPRISES RECONSTRUCTION CREDIT FUND

Because of the extensive destruction of the small enterprises sector of the Managuan economy by the earthquake, and the importance for the reconstruction of smaller enterprises in the construction and building material industries, it is agreed that the Immediate Action Reconstruction Program will include a special fund for providing credit and technical assistance for the reconstruction/expansion of Managua's small enterprises. This Small Enterprises Reconstruction Credit Fund will be administered by the Central Bank's Fondo Especial de Desarrollo (FED). The FED will establish a special implementation unit for this Fund and will provide credit and technical assistance to eligible sub-borrowers through the provision of resources to those entities with small enterprise credit and technical assistance programs (the Banco Nacional, the Banco Popular, FUNDE, private banks or other entities that may qualify as participating financial

institutions). Criteria and procedures for sub-lending will be developed by the FED within the context of the goals and purposes of the Immediate Action Reconstruction Program, and these will be approved by the Vice Ministry of Urban Planning, the Office of Coordination and Implementation and A.I.D. The Fund will place highest priority on providing assistance to those individuals and small enterprises that lost their businesses as a result of the earthquake and will promote the re-establishment of these enterprises within the plans for rebuilding Managua as a deconcentrated and multi-centered new city.

Up to \$3.2 million of A.I.D. loan funds are available for this Fund for credit and technical assistance purposes. These resources will be further complemented by a local counterpart contribution of \$3.2 million which may be financed from Government funds allocated to the Immediate Action Reconstruction Fund. The Small Enterprises Reconstruction Fund will be utilized for the following:

Small Enterprises Assistance: Credit and technical assistance for the reconstruction/expansion of businesses with up to the equivalent of \$60,000 in fixed assets. It is expected that loans will not exceed the equivalent of \$40,000 for small industries and \$15,000 for small commerce.

Small Construction and Building Material Enterprises: Credit and technical assistance for small construction firms with less than the equivalent of \$200,000 per year in construction awards and building material suppliers with less than

\$100,000 in fixed assets. It is expected that individual loans will not exceed \$100,000.

The Central Bank's FED, as Executing Agency for this Fund, will prepare a detailed project proposal for this activity. The specific material that should be contained in this project proposal will be specified in A.I.D. Implementation Letters.

### PROGRAM IMPLEMENTATION STRUCTURE

The organizational structure for the implementation of the Immediate Action Reconstruction Program and the A.I.D. Loan will be composed of four basic units as follows: (1) a High Level Government of Nicaragua Reconstruction Policy Committee, (2) the Vice Ministry of Urban Planning, (3) the Office of Coordination and Implementation of the Ministry of Finance and (4) Executing Agencies. The functions and roles of each of these units for program implementation are described below.

1. High Level Government of Nicaragua Reconstruction Committee: This Committee will be headed by the President of Nicaragua and should include the Minister of Finance, the Minister of Economy, the Minister of the National District, the President of the Central Bank, the Vice Minister of Urban Planning, the Director of the Office of Coordination and Implementation and the Director of the Budget. It is expected that this Committee will also call upon other Ministers and heads of Autonomous Agencies for advise and consultation. The Committee will

provide overall policy guidance and direction for the Immediate Action Reconstruction Program and approve the annual capital budget for the Program. It is expected that this unit will function much as the National Emergency Committee operated in 1973-74.

2. The Vice Ministry of Urban Planning: This unit will provide the overall urban planning services required for the implementation of the Immediate Action Reconstruction Program. The VMUP will carry out the following functions:

- (a) Develop the urban planning and other studies necessary for the reconstruction and urban development of Managua. Formulate policies concerned with land use, circulation patterns, location of community facilities, etc.
- (b) Ensure that the Government of Nicaragua's anti-seismic building regulations and adequate zoning requirements are being enforced for the reconstruction and urban development of Managua.
- (c) Finalize the Government of Nicaragua's Immediate Action Program for the first stage of the reconstruction effort. Continue to develop a flexible long-range master plan for the reconstruction that will respond to the ever changing needs of the metropolitan area.
- (d) Identify and process projects which will be instrumental in achieving the deconcentration policy and the reconstruction of Managua. Establish

priorities for the Immediate Action Program and approve all activities required for its implementation.

- (e) Formulate a Capital Budget for the Program and develop on an annual basis a package of reconstruction projects for funding with Government of Nicaragua resources and A.I.D. Loan funds.
- (f) Develop on an annual basis a package of land purchases or transfers that are necessary for implementing the Immediate Action Reconstruction Program and that will be made from the Government's Land Purchase Fund.
- (g) Develop and implement evaluation activities for the Immediate Action Reconstruction Program and for individual activities being funded by Government of Nicaragua funds or by the A.I.D. Loan.
- (h) Serve on an Inter-Agency Coordinating Committee with the Ministry of Finance's Office of Coordination and Implementation for the Immediate Action Reconstruction Program.

3. The Office of Coordination and Implementation of the Ministry of Finance: This Office will continue to function in accordance with procedures established for the implementation of the A.I.D. Emergency Program Loan and will perform the following functions for the Immediate Action Reconstruction Program and the A.I.D. Loan

- (a) Serve as overall financial and supervisory coordinator for the Program and for the A.I.D. Loan.

- (b) Assure that documentation for the meeting of Conditions Precedent to Disbursement and other conditions of the Loan Agreement are prepared and presented to A.I.D. on a timely basis.
- (c) Administer all Government of Nicaragua and A.I.D. Loan funds provided for the Program and assure that adequate accounting and other records are maintained for these funds.
- (d) Assist the Vice Ministry of Urban Planning in processing the Capital Budget for approval by the Reconstruction Policy Committee.
- (e) Assure that the capital budget developed by the Vice Ministry of Urban Planning is financed and adequately implemented.
- (f) Provide Executing Agencies with funds for the implementation of approved Program activities.
- (g) Supervise Executing Agencies in their implementation of Program activities.
- (h) Represent the Government of Nicaragua for the implementation of the A.I.D. Loan.
- (i) Assure that individual Program activities are implemented in accordance with policies and guidelines approved for the Immediate Action Program and in accordance with A.I.D. regulations.

(j) Serve on an Inter-Agency Coordinating Committee with the Vice Ministry of Urban Planning for the Immediate Action Reconstruction Program.

4. Executing Agencies: While the Vice Ministry of Urban Planning will provide overall urban planning services for the Immediate Action Reconstruction Program, and the Ministry of Finance's Office of Coordination and Implementation will assure that necessary implementation actions are being taken, and that funding is available on a timely basis, actual Program activities will be implemented by various Government of Nicaragua Ministries and Autonomous Agencies. These Executing Agencies will receive grants from the Office of Coordination and Implementation for the development and implementation of particular Program activities. The following entities may be Executing Agencies for the Program: The National District, the Ministry of Public Works through the Highway Department or through the National Construction Agency, the Housing Bank (BVN), the Managua Water Company (AGUADORA), the Sewage Department (DENACAL), the National Light and Power Company (ENALUF), the National Telecommunications Company (TELCOR), the Special Development Fund of the Central Bank (FED), the Instituto Centroamericano de Administracion de Empresas (INCAE) or such other Ministries, Autonomous Agencies or private organizations as shall be mutually agreed to by the Government of Nicaragua and A.I.D.

## A.I.D. LOAN IMPLEMENTATION PROCEDURES

In order to qualify a particular activity for reimbursement from the A.I.D. Loan, the Government of Nicaragua, acting through the Ministry of Finance's Coordination and Implementation Office, will present to A.I.D. a Proposed Activity Summary Presentation (PASP) for each activity proposed for A.I.D. Loan funding. PASP's should be developed by the individual Executing Agency that will implement the activity.

The PASP will be a summary document that will include the following information -- activity description, explanation of how the activity fits within the overall Immediate Action Reconstruction Program, an estimate of total activity costs, costs of individual activity elements, an estimated disbursement schedule and other additional information that may be required for implementing the particular activity. In determining whether the proposed activity qualifies for Loan funding, A.I.D. will take into consideration the extent to which the activity meets the following criteria:

1. The activity is consistent with the policies and guidelines developed by the Government of Nicaragua for implementing the Immediate Action Reconstruction.
2. The activity is of high priority for promoting the overall deconcentration of Managua's urban development.

3. The activity has been included in the Capital Budget for the Program.
4. The activity will rectify dislocations attributable to the earthquake or will promote recovery from the indirect effects of the earthquake.
5. The activity is technically and financially feasible.
6. The activity can be initiated in 1975-77 and completed by the end of 1977.
7. The Vice Ministry of Urban Planning and the Ministry of Finance's Coordination and Implementation Office have certified that the Government of Nicaragua considers the activity of high priority.

If the activity set forth in the PASP fulfills to the satisfaction of A.I.D. the above criteria, A.I.D. shall notify the Government of Nicaragua by Implementation Letter of its intention to disburse Loan funds for the particular activity.

In order to receive reimbursements from the A.I.D. Loan for Government of Nicaragua expenditures for eligible activities (PASP's accepted by A.I.D.), the Government will present to A.I.D. a Local Currency Funds Disbursement Request (LCFDR). Along with the LCFDR, the Government of Nicaragua through its Office of Coordination and Implementation will present to A.I.D. an Activity Progress Report (APR) prepared by the Executing Agency that is implementing the particular activity. The APR will describe progress-to-date for each activity and indicate total funds received and expended on the activity. The APR and such other documentation

that A.I.D. may require will be the supporting documents for A.I.D. Loan reimbursements.

Additional information on the content of PASPI's, LCFDR's and APR's, and reimbursement procedures to be utilized for Loan implementation, will be contained in Implementation Letters.

### PROGRAM EVALUATION CRITERIA

It is agreed that the Vice Ministry of Urban Planning will develop as part of its Immediate Action Reconstruction Program an evaluation plan for this Program. It is expected that the Program will be evaluated based on the following types of criteria:

1. Extent to which the Program has contributed to Managua's recovery from the earthquake. (This will be measured by the number of public facilities and services destroyed or disrupted by the earthquake that have been rebuilt, expanded or normalized during the Immediate Action Reconstruction Program).
2. Extent to which Managua's urban development has been "tilted" into a safer and more efficient deconcentrated pattern as measured by indicators such as but not limited to:
  - a. Number of new urban kilometers in use for Managua's urban development as compared to a pre-earthquake area of 33 square kilometers.
  - b. The lowering of Managua's average population densities from its pre-earthquake level of 13,000 people per square kilometer.

- c. The extent to which a new multi-centered city is being established as measured by the total volume of public and private investment in the periphery of Managua.
3. The extent to which detailed planning has been developed for the eventual re-development of Managua's destroyed areas.
4. The extent to which a flexible master plan for the long-range reconstruction and urban development of Managua has been developed.
5. The extent to which the Immediate Action Reconstruction Program has improved the Government of Nicaragua's capabilities for planning and implementing the long-range reconstruction effort.
6. The extent to which the Immediate Action Reconstruction Program has provided new opportunities for the lesser privileged majority of Managua's population.
7. Such other criteria as shall be mutually agreed to by the Government of Nicaragua and by A.I.D.